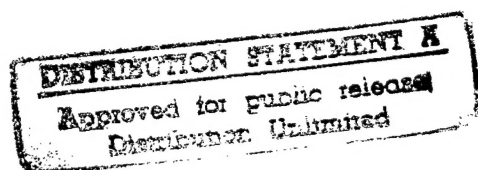




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# ***JPRS Report***



# **China**

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## CHINA

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LIU BINYAN'S 'SELF-EXAMINATION' DEFENDED

Hong Kong CHENG MING [CONTENDING] in Chinese No 108, Oct 86 pp 68-69

[Article by Gao Fang [7559 2397]: "The Courage of Liu Binyan"]

[Text] If there is one sentence summing up Liu Binyan's [0491 6333 7159] political character, it would be this: He is the classic representative of the "second kind of loyalty." This thought occurred to me when I chanced to read his intra-party report "Examination." His work left me totally shaken--he ripped open his chest with his two hands and showed the Chinese Communist Party a blood-red passionate heart, saying, "This is me!"

Liu Binyan does not in the least seek to exonerate or justify himself. Casting personal safety and honor or disgrace to the wind, he uses the opportunity to open his heart before the Chinese Communists to show them the truth. The depth of his love for the party, the earnestness of his reproach, and the bitterness of his disappointment that the party has failed to live up to his expectations--all that pervades his report.

The pressure he faced during the "anti-liberalization" movement in 1981 and the "anti-spiritual pollution" campaign in 1983 cannot be compared to the immense pressure he came under when he wrote "Examination." But his "self-examination" is not the kind of "self-criticism" made by several writers at the time which offered nothing but "endless apologies." Rather than a form of "self-criticism," his report is better described as an insightful, powerful, penetrating and substantive "admonition to the party." We cannot but hit the table in admiration, "Liu Binyan is Liu Binyan!"

Criticism of the Press System

Liu Binyan may be vice chairman of the China Writers Association, but he has consistently held that he is a journalist first, writer second. His "Examination" was written primarily from the angle of the press.

Recently press reform has been put on the CPC agenda and become a popular conversation topic in the press circles and among members of the public. On 9 September, SHENZHEN QINGNIAN BAO, which is at the forefront of press reform, carried as front-page headline news a conversation with Liu Binyan on press reform. He said, "Public opinion in China still has a long long way to go

before it becomes as effective as it should be. After 1978, many fields have tried to correct their mistakes, but not press work. What is a newspaper? Should we demand that a newspaper be run like a government bulletin? Should we ask that editorials resemble official documents, that reporters be like propaganda cadres? Our newspapers should not be 'office reading' published, subscribed to, and read by officials. But some leaders still think that newspapers are merely the agency of a party committee. If they want you to say something, you should go out and say it loud and clear; it does not matter how much you exaggerate it. If it is something they do not let you say, you must not breathe a word of it. We can take a look at any provincial paper and see to what extent it really reflects the real conditions in the province in a year. We would consider it partly truthful if only it reports 1 percent of the seamy side of things, and magnifies achievements by 100 percent. But in fact it falls short of even 1 percent. This is the biggest untruthfulness. Stalin said that you should accept criticisms in the press if only 5 percent of them are correct. Yet it will not do even if 95 percent of the criticisms in our press are correct. Because independent observation, thinking, and expression of opinion have long been discouraged, even prohibited, reporters have suffered a decline in moral quality. Reporters should have a critical mind and a capacity for independent thinking; they should not echo others' views."

It is a remarkable speech, but this reporter excerpts it not for that reason alone. Do not imagine that Liu Binyan said all that because it is the "in" thing to do now that the (political) climate has improved and press reform has begun. If that is what you think, you are underestimating him. Liu Binyan said the same things in his admonitory "Examination" to the party last year. At a time when he was under enormous pressure and was trying to explain himself to the organization, he still remembered to tackle the party to fight for the rights of the press, the people, and the state. How can you not admire him?

Liu Binyan devotes considerable space in the latter part of "Examination" to explain to the CPC Central Committee his ideas on the press and demand press reform. He said, "My trial has begun. To help comrades on the Central Committee understand the situation more clearly, I hereby provide the relevant information." He notes four situations, with emphasis on the third and fourth which deal with the press and propaganda. He said,

"Third, there is no denying that because the rectification of wrongs has never been put on the agenda in the press, the differences of understanding since 1957 regarding the social mission and function of reporters and writers have not been really resolved. I believe social division of labor determines that people in a particular profession should serve society in their own special way. Over 20 years of experience proves that if writers and reporters forever sing the same tune as party and government organs, make the same noises, and speak the same language, that may not be the most effective way to bring about unification."

"Fourth, a traditional concept in propaganda work is that to increase public confidence, all we have to do is to publicize the achievements on all fronts and the good deeds of good people. And indeed this is an important aspect of

propaganda work. Still 'existence determines consciousness.' The most powerful propaganda will not work if we do not eliminate all the unfavorable things that people see, hear, and experience in their day-to-day lives and bring the perpetrators of these things under control."

#### A Pitiful "Numbers Game"

Liu Binyan is a man of courage, the kind of courage that comes not from a sense of righteousness, as was the case with revolutionary martyrs, but from his loyalty to the party. When you first read "Examination," you cannot but feel a little sorry for him, because he too must play a "political game" in the beginning of his work. This writer has always known that Wang Meng [3769 5536] is adept at "filling political prescriptions" in order to stay on good terms with officialdom. What was unexpected is that Liu Binyan also is like that. To disarm those who have denounced him for "dwelling on the seamy side of things," he had no choice but to begin "Examination" thus:

"Since early 1979 when my rightist problem was rectified, I have published reportage and news dispatches (on foreign nations) totaling more than 700,000 characters. Of these, 400,000 characters, or over 60 percent, report on such advanced personalities as Zhu Boru [2612 0130 0320] and Zhang Haidi [1728 3189 6611] and on the gratifying changes that have taken place on the economic front and in people's livelihood, party style, party discipline, and other areas under the guidance of the CPC Central Committee's correct line in such provinces as Sichuan, Guangdong (including special economic zones,) Jiangsu, Liaoning, Henan, and Hebei as they seek to bring order out of chaos following the 3d Plenary Session of the 11th CPC Central Committee. About 200,000 characters, or 23 percent, expose the crimes of the 'gang of four,' the pernicious influences of the Cultural Revolution, the continuing evil deeds of the 'three kinds of people,' the unhealthy party style, and the abuses of public office for personal interest by cadres. In addition, about 100,000 characters, or 14 percent, deal with other matters, both their positive and negative aspects. Thus we can see that I do not 'dwell on the seamy side of things.'"

It is a shame that one has to play this kind of "numbers game," but such being the political realities in China, Liu Binyan had no alternative but to adopt this strategy. And as far as he is concerned, it is only a strategy. Liu Binyan said in "Examination" that over a period of 6 years, he received 40,000 letters from his readers supporting his struggle against the forces of evil at a time when the party style was being corrupted and justice had no advocates. Thus he defended himself to the Central Committee, "I myself have wondered whether I am really the kind of person they criticized me for being in 1957, who makes too much of the seamy side of things. After much soul-searching, I concluded that I make too little, not too much, of it."

#### Criticizing the Party As Well As Himself

"Examination" consists of two parts. The first part mainly chronicles the debates surrounding nine of his most controversial works. To facilitate examination by the CPC Central Committee, it mentions the names of officials, junior and senior, who have criticized him and people who have investigated

him. In effect, he has provided the Central Committee with a list of people with an unhealthy party style. In the second part, Liu Binyan discusses and evaluates his own ideological state and expresses the hope that the CPC Central Committee will determine his political outlook.

Liu Binyan notes in "Examination" that although there have been numerous criticisms of him over the past 6 years, nobody has denounced him for being "anti-party and anti-socialism" and that although he has been involved in endless "lawsuits" and many people have accused him of "trumping up false charges," declaring they would take him to court, nobody so far has actually filed suit against him. This is because with justice on his side, the forces of evil do not have the courage to openly challenge him. This is exactly why Liu Binyan presented his "self-criticism" as an admonition to the party and asked the CPC Central Committee to determine his nature.

Liu Binyan cites numerous facts in "Examination" to demonstrate that the party style is less healthy than it was in the late 1950's, resulting in this widespread phenomenon: "good people are not protected and bad people are not punished." Disappointment among the masses is spreading. Driven by his conscience and absolutely sincere sense of historical responsibility, he could not help but demand justice from the Central Committee and gently chide it for its incompetence. He mentions a strange event: after 24 years in which repeated efforts were made to apply for an audience with the higher authorities to appeal for help and 10 investigations by party committees at various levels all the way to the Central Committee, the party still cannot sort out the nature of the case and its rights and wrongs. He said, "I often worry about the party. This is a huge country. Things are complex and changing rapidly. The party organizations and party style are ridden with problems. How many investigation teams must the CPC Central Committee send out before it works out the problems?" "It will not necessarily hurt the party's prestige to let reporters play a limited supervisory role. On the other hand, it will certainly help check the corruption of the party style to a certain extent." Therefore he disclosed the reason why he ignores others' advice and continues to turn out article after article, knowing full well they will offend a minority of people but would inspire the majority. "Over the past few years, my office has been stuffed with materials on both old and new cases now being appealed in Shaanxi, Shandong, Heilongjiang, and Sichuan. They involve mistrials, fabricated charges, or unjust verdicts. There has been an endless stream of visitors to my house. These cases are the internal affairs of the party committees, discipline inspection commissions, and judicial departments at all levels, but as a citizen and CPC member, not to mention reporter and writer, how can I just sit here and do nothing?" He also said, "More and more people want to read my works. This strengthens my resolve to produce works which have positive social effects and benefit the party."

#### Applauding Liu Binyan

The time Liu Binyan wrote "Examination" was the darkest days in his life. Although he was branded a "rightist" in 1957, there were then 500,000 people like him all over the nation. This time around, he was the only target of attack. Despite such adverse conditions, he remains concerned about the nation, the people, and the party and warns the party, "It has occurred to me

that the leg of economic reform is long, whereas the leg of the political and legal systems is very short, which will eventually affect the progress of economic reform. Am I right or wrong?"

Based on personal experience and the experience of the people as well as lessons from history, he recently made this bold point, "One of the first problems we run into in political reform is freedom of speech." "Only people who do evil deeds are afraid of public opinion." He firmly opposes "people who talk in terms of so-called bourgeois liberalization in this day and age. There are still people who think that freedom is bad and that democracy is bourgeois and untouchable."

At a time when the CPC is doing its best to advocate the two socialist "civilizations," he most courageously endorses the two capitalist "civilizations." He said, "Most of the capitalist material and spiritual civilizations, hundreds of years in the making, can be described as the crystallization of human civilization. They are applicable under socialism as well as under capitalism. Why do we reject things that come from the civilization of the entire human race?"

Liu Binyan has finally survived his "political crisis." Even during the "crisis," he did not forget the people's suffering, something many other CPC members are not capable of. For that alone should all Chinese overseas applaud and encourage him.

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CSO: 4005/547



## CITY MAYORS SUPPORT URBAN ECONOMIC REFORM

OW221032 Beijing XINHUA in English 0808 GMT 22 Jun 87

[Text] Beijing, June 22 (XINHUA)--China has no alternative to pursuing economic reform, the mayors of eight cities said recently in interviews with theoretical workers.

The theoretical workers, from the Chinese Research Institute for the Restructuring of the Economy, made a one-month investigation in Shenyang, Dandong, Guangzhou, Chongqing, Wuhan, Shanghai, Shijiazhuang and Beijing--all cities which have taken the lead in pioneering urban economic reform.

According to the mayors, the present economic reform has enlivened enterprises, revived the urban economy and brought material benefits to the people.

China has practised socialism for more than 30 years and its advantages could not be matched by the old society, a semi-feudal and semi-colonial one. But it still has quite a few drawbacks.

One of the drawbacks is "whipping a hardworking buffalo that is milling grain while letting the lazy one eat grass in the sun."

Wu Disheng, mayor of Shenyang, capital of Liaoning Province, and Zhang Ziqi, deputy mayor of Dandong city in Liaoning Province, said that the practice of egalitarianism described as "eating rice out of the same big pot," under which people got the same pay no matter how hard they worked, made people lazy and put a brake on production. If such a situation is not changed, how can the country become strong and the people rich?

According to Wu Disheng, Chen Xitong, mayor of Beijing, and Xiao Yang, mayor of Chongqing city in Sichuan Province, a new socialist system is expected to be formed through the present reform to bring the initiative of every person, every economic entity and every social unit into play. Only under such a system, in which all the people want to create wealth, develop civilization and be involved in democracy, can social productivity be developed to the maximum.

Chen Xitong noted that China's experience over the past three decades has proved that all the policies that aimed to mobilize and protect the people's initiative brought obvious economic and social results, and those which hampered and suppressed the people's initiative caused production to drop and the economy to shrink.

"The present reform is a further reflection of the communist party's mass line in the new period, a period of China's modernization," Xiao Yang said. "To give autonomy to enterprises is to return management authority to enterprises to arouse their enthusiasm. This power had been monopolized by a few people in government administrative departments for years," he added.

"On the whole, the present economic situation is excellent," Jiang Zemin, mayor of Shanghai, concluded.

According to Wang Mingquan, deputy mayor of Wuhan, capital of Hubei Province, people in Wuhan have more choices of goods since the city opened to other parts of the country to enliven its economy over the past few years.

Wang Baohua, mayor of Shijiazhuang, capital of Hebei Province, noted that the setting up of a market for capital goods has not only greatly helped enterprises improve products and boost production but also promoted the reform of the government and material supply departments.

As the reform is deepening, city mayors have already felt pressure to carry the reform through to the end or be condemned by the people and the whole of society.

According to Yang Ziyuan, deputy mayor of Guangzhou, capital of Guangdong Province, mayors in Guangzhou are faced with social and mass pressure to reform the old systems of employment and housing.

Mayors of the eight cities all agreed that the present reform is a social revolution. Because of lack of experience, the reform will certainly produce problems and mistakes.

But the mayors are determined to continuously and firmly follow the general principles and policies of the communist party Central Committee to push the economic reform forward.

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CSO: 4020/227

## FACTORY REFORMS ASSESSED BY ECONOMIST

HK270154 Beijing CHINA DAILY in English 27 Jun 87 p 4

[Article by Zhang Xiaogang]

[Text] While trying to reform its enterprise system, China has been experimenting with several different approaches. Each has the same goal--make the factory, not the State, responsible for its own management and its own profit and loss.

So far there have been a dozen or so different experiments, such as the contract system and the share-capital system.

Now, economists and management scientists are comparing notes on these experiments and designing further reforms.

Most of the experiments were launched two or three years ago, when the central leadership of the Chinese Communist Party decided to introduce market mechanism into the country's urban economy.

They were tried in factories selected as guinea pigs for new management methods. Despite difficulties, the new methods have survived and multiplied.

None has proved perfect or applicable to all enterprises. But they all have produced encouraging results and, perhaps even more important, many useful experiences.

In a massive research programme headed by Dong Furen, director of the Institute of Economics of the Chinese Academy of Social Sciences, scholars are trying to determine the direction of the next phase of enterprise reform and draft even better methods.

The program, which has been included in the State's Seventh Five-Year Plan (1986-90), studies the reform of the management of state-owned enterprises.

Dong, a veteran economist, divides the experiments into four categories--leasing, contract system, share-capital system, and management responsibility system (MRS).

"Only these four have independent significance," Dong said. Others, such as the factory director's tenure-task responsibility system, are simply offshoots, he argued.

Efforts to reform factory management are aimed at making enterprises more like true businesses, free from administrative meddling and with more decision-making power.

Leasing: For this purpose, economists say leasing is effective, where individuals hold the lease and manage state-owned factories.

But it's feared that this method is applicable only to small enterprises, as proved in Shenyang, Liaoning Province.

Contract system: The contract system has many forms, some based on increasing profits, some on decreasing deficits (for the chronic money-losing factories, for example), and some on cost and output value indexes.

There may be two different kinds of contractors. A factory may be a contractor, keeping any profits left over after giving the proportion to the State specified in the contract.

In other cases, the contractor may be a group of individuals who manage the factory. The more profit the factory makes, the bigger percentage they can earn.

The contract system is simple and thereby easier to introduce in many existing industries.

But, despite its immediate results, it is only a transitional device, economists insist.

The contract system does not protect very well the interests of the State--the only investor for all existing big industries.

A contract is drafted through bargaining between the State and the contractor. Every contractor strives for the best terms possible.

Once better terms are achieved, a contractor can earn much more profit than he is required by the contract to hand over to the state. That means the enterprise can keep a fairly large proportion of its profits and may spend it in ways that run counter to the state's interest.

It has been a nationwide tendency that, when enterprises have more money, they spend more at bonus for their workers and other unwarranted expenses.

Also, when they are spending too much, enterprises have to rely solely on loans from state banks to maintain production, adding to the strain on the central government.

He Jiacheng, head of the Department of Development Studies of the Institute of Economics, told CHINA DAILY this is what Chinese economists mean by the "short-term orientation of enterprise behaviour."

The contract system has failed to promote an enterprise's concern over its long-term growth, which means the growth of state properties.

Share-capital system: The share-capital system is based on idle funds that belong to individuals and organizations rather than the State.

So far it is impossible to introduce this reform to many enterprises.

China's money market, the necessary ingredient for the share-capital system to work, is in its infant stages and exists only on a regional basis. Most enterprises do not even have marketing strategies, let alone experience in independent financial planning.

The MRS: The State may gain more from the management responsibility system than from the contract system.

The MRS is usually based on conditions related to the tax rate. The more profit the enterprise turns over to the State, the less tax it is required to pay.

As a result, the enterprise may still keep some profits, but perhaps not as much as it can under the contract system.

But the MRS also is vulnerable to the "short-term orientation of enterprise behaviour." The State remains unable to influence the ways in which the enterprise spends its money.

The AMRS: A new form of management has now caught economists' attention--the "assets management responsibility system" (AMRS).

The AMRS makes it the manager's first responsibility to expand the enterprise's assets, which are actually the result of State investments. As such, it may be effective in checking rampant borrowing and issuing of bonuses.

Dong Furen said, "The AMRS has embodied many valuable new concepts."

Dong said that the AMRS is a promising starting point to find a way, or find many ways--to make China's reform of its enterprise system successful.

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CSO: 4020/227

NEW EFFORTS TO CURB ECONOMIC REGULATION VIOLATIONS

OW271106 Beijing XINHUA in English 0958 GMT 27 Jun 87

[Text] Beijing, June 27 (XINHUA)--China has intensified the effort to tighten financial control and curb violations of economic regulations.

The newly-issued "Temporary Provisions on Penalties for Violations of Economic Laws and Regulations" stipulates punishments for fraud, corruption, arbitrary levies of funds, waste of state property, unauthorized tax reduction and other violations.

The new provisions, the first of kind in China which was announced on Wednesday, said offenders will receive administrative punishments and be fined up to a maximum of three months' salary.

Judicial departments will handle the serious violations and punish offenders through legal procedures.

This is another step China is taking to plug loopholes allowing economic crimes during current reforms and the opening to the outside world.

The State Council, China's highest governing body, wants the new provisions to be observed strictly.

The state auditing administration has moved to punish offenders and tighten checks on waste, tax evasion, unauthorized bonuses, institutional purchasing and construction outside the state's overall plan, administration official Jin Weihong told the English newspaper CHINA DAILY.

The new provisions came at a time when the administration is uncovering more violations.

The administration audited more than 24,000 units in the first three months of this year, 70 percent more than the same period last year.

Irregularities were discovered involving more than 936 million yuan (252 million U.S. dollars), accounting for 1.7 percent of the total amount audited.

They included 205 million yuan that should have been paid to the state treasury, more than 29 million yuan that should not have been allocated or subsidized by the state, and 117 million yuan of special funds diverted to inappropriate uses.

It was also discovered that more than 45 million yuan were wasted. Officials attributed the increasing violations to negligence, bureaucratic practices in some units, and loopholes in China's legal system.

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CSO: 4020/227

## BEIJING DEVELOPERS COMPLAIN OF GOVERNMENT CHARGES

HK280504 Hong Kong SOUTH CHINA SUNDAY MORNING POST (SUNDAY MONEY) in English  
28 Jun 87 p 1

[Article by Lulu Yu]

[Text] Investing in Beijing has become more expensive as the government has begun to hit developers with high charges for essential basic facilities.

Months after contracts had been signed and construction work begun, builders are now suddenly finding themselves having to pay extortionate prices for guaranteed future supply of water and other basic utilities.

Developers had been hard hit by such unforeseen overheads, which can raise development costs by as much as 20 percent, according to local and foreign contractors in Beijing.

Some have been urged to pay for electricity by buying 15-year non-interest-bearing bonds.

The municipal government's new measures--introduced without warning--mean a drastic deterioration of investment conditions in Beijing and less rosy prospects for developers.

Kumagai Gumi, a Hong Kong-based contractor with two hotel projects in Beijing, has been plunged into a dilemma as costs soared way beyond budget.

The final price of its Palace Hotel project--a multi-million dollar joint venture with Hong Kong's Everbright Corporation--may exceed planned investment by a fifth if the investors play by Beijing's new rules.

The project could be delayed, however, if relevant authorities are not paid the various fees.

Like other Beijing developers, Kumagai has been adopting a wait-and-see attitude.

"Basically, no one is prepared to pay out such vast sums, and particularly no one wants to be the first to do it. Once a precedent has been set, there will be no exception for the rest. Hopefully we can all stand firm and fight this out with the government," said a Kumagai spokesman.



Another Japanese consortium, which is building the deluxe residential and commercial blocks called "Changfugong" in an eastern suburb, has also balked at Beijing's money-raking regulations.

"We've been locked in negotiations for 2 months now. The Beijing officials are quite sympathetic, but claim that their hands are tied because the regulations had come from the central government," said the Kumagai spokesman.

A set of regulations concerning "resource fees" had been issued by the policy-making State Council and adopted by Beijing late last year. They were, however, not put into effect until several months ago.

Under the regulations, water costs 800 yuan (HK\$1,600) per ton, gas 600 yuan (HK\$1,200) per ton and sewage drainage 800 yuan for Beijing developers, who are charged on a daily basis.

They apply to both Chinese and foreign investors, and are aimed at speeding up Beijing's infrastructural development.

The rates cover capital costs for the construction of water and power plants serving the rest of the city.

"To put it bluntly," said one local developer, "Investors are made to subsidise the city's developments and provide what the government should provide for its people. I have never seen such rip-off practices in any other Chinese city."

He described Beijing's approach to electricity supply as an alternative method of obtaining interest-free loans from investors.

According to Beijing officials, the developer is expected to buy a proportionate amount of non-interest-bearing bonds, which would guarantee supply and a lower rate payment for 20 years. He will be paid back the face value of the bonds from the 11th to the 15th year.

"This scheme is more acceptable than the rest of the package. Costs saved from a cheaper rate can conceivably make up for the loss of interests on the bonds. The problem is whether we will always get a sufficiently low rate in the years to come," said the local developer.

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PROVINCIAL

ECONOMIC

# RIVER DIVERSION TO IMPROVE SHANGHAI WATER QUALITY

OW272151 Beijing XINHUA in English 1451 GMT 27 Jun 87

[Text] Shanghai, 27 Jun (XINHUA)--Most residents of China's largest industrial city, Shanghai, will have better tap water when the first phase of the Huangpu River water diversion works is finished in early July.

"Ninety percent of the city's tap water will be improved when a huge pipeline transports better-quality water from the Huangpu River's upper reaches," said Song Renyuan, chief engineer of the Shanghai Tap Water Company.

The city's water intake used to be at the middle and lower reaches of the Huangpu River.

"The quality of water deteriorated in the middle and lower reaches of the river due to industrial pollution from the factories and ports on the banks," said the engineer.

Since the 1960s, new factories and water transportation businesses have mushroomed in the river basin. Some water plants at the lower reaches of the river were affected by sea tides in dry winter and spring seasons, according to the engineer.

Although the city adopted measures like purifying water and disposing of industrial waste, and the quality of water was improved somewhat, organic matter and high content of chloride in the water still affected residents' health and the development of the city's economy.

Since the late 1970s, the city has engaged in improving the quality of water. A water diversion works which moved the water intake of water plants from the middle and lower reaches to the upper reaches of the river started in February 1985.

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## SHANGHAI NEEDS FURTHER ECONOMIC OPENING

OW172323 Beijing XINHUA in English 1544 GMT 17 Jun 87

["Round-up: Wider Opening Crucial to Shanghai"--XINHUA headline]

[Text] Shanghai, 17 Jun (XINHUA correspondent Li Zhiyong)--The development of Shanghai, China's leading economic center, depends largely on the progress of opening to the rest of the world. There is no doubt about this now as successes have become obvious since the city was opened wider to foreign investment and trade 3 years ago.

A senior researcher at the Shanghai Municipal Economic Research Center said, "With the influx of foreign funds, techniques and managerial expertise, the consciousness of the open policy has taken root in Shanghai."

Although China began pursuing the open policy in 1979, Shanghai had introduced only U.S.\$100 million in foreign funds covering 20 projects by the end of the spring of 1984.

Lu Guoxian, deputy director of the Municipal Commission of Foreign Economic Relations and Trade, blamed this slow progress on limited authority and lack of experience on the part of the municipal authorities.

Since then the central government has granted Shanghai greater authority over foreign investment and trade, with the result that the municipal authorities now may approve a project involving up to 200 million yuan (about U.S.\$54 million) in investment and raise money directly on the international money market.

Over the past 3 years, Shanghai has approved 200 foreign-funded enterprises involving U.S.\$1.6 billion in direct foreign investment.

To date, the city has introduced nearly U.S.\$2 billion in foreign funds in such forms as the establishment of foreign-funded businesses, issue of bonds, foreign loans, compensation trade deals and leasing. The figure is equivalent to 15 percent of Shanghai's investment in fixed assets during the same period.

Shanghai Mayor Jiang Zemin said earlier this year, "We Shanghai people should be bold enough to invite foreign business people to make profits and encourage them to make more."

Yang Tong, Chinese general manager of the Shanghai-Foxboro Company, a Sino-U.S. joint venture, said, "For the survival and development of joint ventures, both partners must try their best to make profits."

U.S. President Ronald Reagan and Chinese Premier Zhao Ziyang have visited the venture specializing in production of meters for automated industrial production. It began making profits in 1984, the second year of its operation.

It is now no longer news that foreign-funded enterprises are profitable and foreign partners use their profits for new investments or remit them out of China. Most of the 100 major foreign-funded enterprises in Shanghai are profitable. Thirty of them manufactured 417 million yuan-worth of goods in the first quarter of this year--three times the figure for the same period in 1986.

China's economic policymakers and researchers agree that only by opening wider to the rest of the world will Shanghai be able to invigorate its economy.

The enormous sums of money needed for Shanghai's infrastructure construction amount to astronomical figures, they said, noting that the open policy has made it possible for the city to accelerate the construction program.

According to Mayor Jiang Zemin, Shanghai wishes to use foreign funds to build five massive infrastructure projects during the 1986-90 period, i.e. a subway, a waste water treatment plant, the rebuilding of an international airport, expansion of the capacity of urban telephone switchboards and a bridge across the Huangpu River.

Shanghai produces a third of China's industrial output value. With much of its equipment and technology ageing, nevertheless, it finds it increasingly difficult to maintain its previous economic vigor. Hence the need to import technology and equipment on a large scale to upgrade local factories.

An outcome of the introduction of foreign-funded enterprises is the transfer of sophisticated technology. A typical example is the Shanghai Volkswagen Corporation, a joint motor vehicle venture between China and the Federal Republic of Germany.

The venture has helped raise Shanghai's car-building technology to the highest international standards of the early 1980s. It is also helping to upgrade other Shanghai factories making accessories or parts for its cars. It will produce 300,000 cars a year eventually.

Since 1984, Shanghai has spent U.S.\$1 billion importing technology and equipment, and has signed 960 contracts with foreign firms. Imported technology enabled the city to produce an extra 1.3 billion yuan-worth of goods in 1986.

Meanwhile, a fourth of Shanghai's 4,000 state-run factories have introduced 39 items of foreign managerial methods, including objective management, value engineering, market forecasts, network planning and total quality control.

Three years of sustained opening have laid a solid foundation for Shanghai's economic invigoration, leading economists here to say, adding that the city's current goal is to become, by pursuing the open policy, one of the largest economic and trading centers on the western coast of the Pacific.

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## GUANGDONG TRIMS CAPITAL CONSTRUCTION BUDGET

HK250725 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English  
25 Jun 87 p 1

[Article by Olivia Sin]

[Text] Guangdong plans to trim its budget for capital construction by 7 percent this year to 2.2 billion yuan (about HK\$4.6 billion), according to the director of the Provincial Planning Commission, He Kuan.

Mr He told the Guangdong People's Congress yesterday that the province would not approve any new building project this year.

The stringent measure is aimed at controlling runaway capital investment and directing funds towards important infrastructure developments such as power stations and railways.

Mr He said the province's special economic zones, Shenzhen, Zhuhai and Shantou, would receive a total of 1.37 billion yuan this year for building various facilities.

Many cities and counties in the province have taken advantage of the autonomy granted to them 3 years ago to begin property developments like new office buildings and luxury apartments.

As a result, the province has been left with inadequate financial resources to improve its backward infrastructure. This in turn has hampered the province's development.

The State Council last year ordered a program to halt or suspend investment in the services sector and to channel funds to the production sector.

Guangdong, reacting to this call, last year delayed the construction of a total of 230 projects carrying a total investment of 3.5 billion yuan.

Nevertheless, figures provided by the State Statistical Bureau show that China's total capital investment in the first quarter of this year still increased by 22 percent from last year to 11.74 billion yuan. And a large part of the money was spent on completing projects which were started 1 or 2 years ago.

"That is why, even though many projects have been axed, the money spent on capital construction still runs high," an analyst said.

An official publication, the FINANCIAL TIMES, said recently that merely reducing the number of projects is not enough to control the country's future capital investment pattern.

Instead, the paper said, the government should devise a capital investment policy with related regulations to define the types of key construction projects that merit funding, and to clarify the scope and responsibilities of regions and cities in starting projects.

The 8-day Guangdong People's Congress, which opened on Monday, will examine the province's budget, economic plans and important provincial regulations.

Guangdong Governor Ye Xuanping painted a rosy picture of the province's economy in his opening address.

Industrial output increased by 25 percent in the first 5 months of this year from the same period last year, its exports were up 56 percent and its total retail business volume up by 17 percent.

Last year, the province reported a gross domestic product of 128.2 billion yuan, up 12 percent from 1985. Its total agricultural and industrial output reached 95.6 billion yuan, up 13.5 percent.

Guangdong's exports rose 41 percent to U.S.\$4.3 billion last year, making it the top exporter among China's provinces.

The province attracted new foreign investment of \$1.9 billion last year and a large portion of this is being sunk into productive projects.

Apparently keen to maintain Guangdong's paramount position in export performance, Mr Ye urged the province to make even greater efforts to increase sales overseas.

Guangdong should strengthen its export bases in the key industries of textiles, arts and crafts, building materials, machinery and electrical equipment as well as marine products, the governor said.

The province, which exports most its goods to Hong Kong, was also exhorted to pursue new markets in Europe, the United States and Japan.

Mr Ye said Guangdong would implement "responsibility" systems to induce state enterprises to avoid losses.

Measures such as tax relief and profit-sharing would encourage large enterprises to generate profits.

Loss-making firms would be made to shoulder their own deficits if these exceeded a level laid down by the provincial authorities.

Mr Ye said that before the "responsibility" system came into being, many state enterprises did not bother about their performances because any loss would be absorbed by the state.

Industrial reform would be widened this year, with more state enterprises given the power to determine their production activities.

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## REFORM INJECTS ENERGY INTO SICHUAN ENTERPRISES

OW200914 Beijing XINHUA in English 0620 GMT 20 Jun 87

[Text] Chengdu, 20 Jun (XINHUA)--Economic system reform has injected new energy into dying enterprises in the southwestern China's Sichuan Province, a provincial official said.

One of the beneficiaries is the Chongqing Hotel, which has been spruced up for the first time since it was built 20 years ago, the official said.

The daily volume of business at the hotel increased five times with the introduction of advanced booking technology, new facilities and a management company from Hong Kong last February.

To date, the province has established economic and trade relations with 100 countries and regions. Over the past 3 years, the province has utilized more than U.S.\$1.17 billion to run various enterprises, including joint ventures and cooperatives. Of the 58 enterprises with foreign funds 23 have gone into operation.

The official also noted that the environment for foreign investment in the province is not as good as that in coastal cities, but the province has opened its natural resource industry.

The province is rich in marble, but its marble products were not competitive in the international market. In order to improve this situation, Sichuan-Macao Huaxin Marble Co. Ltd. was set up in September 1986. It earned U.S.\$550,000 exporting its products to Japan, the United States, and Federal Germany.

Agreements with foreign traders will result in sales of U.S.\$2.4 million this year.

In the past 7 years, the province spent U.S.\$850 million importing 820 items of advanced technology, of which 410 have gone into operation.

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## RESTRUCTURING PROGRAM BOOSTS PIONEER CITIES

OW241754 Beijing XINHUA in English 1143 GMT 24 Jun 87

[Text] Chongqing, June 24 (XINHUA)--China's on-going economic restructuring has stimulated economic development of seven cities which had been authorized with provincial-level economic management power since 1983.

The cities are Wuhan, Shenyang, Dalian, Guangzhou, Xian, Harbin and Chongqing.

Their combined industrial and agricultural output value in 1986 reached 112 billion yuan (more than 30.2 billion U.S. dollars), the gross national product, 69.8 billion yuan and the annual income, 59.7 billion yuan.

They also delivered 8.7 billion yuan to the central government and local provincial governments, and exported 1.5 billion U.S. dollars-worth of goods, according to a symposium on comprehensive reform in leading cities held here recently.

Taking Chongqing for example, its total industrial and agricultural output value last year doubled that of 1982.

In 1983, the State Council, China's highest governing body, allowed Chongqing to try a comprehensive economic reform by empowering it to enjoy provincial-level power in management. Then, six other cities got the same power between May and October 1984.

The reform has expressed the policy of streamlining management power and readjusting the economic structure to invigorate enterprises and cities, said Zheng Dingquan, deputy director of the experiments bureau under the State Commission for restructuring economy.

It has also played an important role in promoting lateral economic cooperation and the work of opening to the outside world, he said.

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## NATION EXPANDS ROLE OF FINANCIAL MARKETS IN ECONOMY

OW170638 Beijing XINHUA in English 0551 GMT 17 Jun 87

[Text] Beijing (CEI) [dateline as received]--China has established various kinds of monetary markets in recent years and greatly promoted the cooperation between banks and other financial departments.

Since 1978, banks have been playing an increasingly important role in China's economy. In 1978, 67.7 percent of the investment in the country's production and construction came from government allocations, with a mere 23.4 percent from banks. But the proportion from the government side dropped to 31.6 percent in 1986, and bank loans increased to 68.4 percent.

The tightening of the money supply in 1985 and the financial reforms in the following year promoted the establishment and expansion of fund markets, which stimulated competition and cooperation between banks.

In 1986, 30 billion yuan was borrowed and lent between banks through the money markets. Of this, 20 billion yuan changed hands among the country's industrial and commercial banks.

In the past few years, inter-provincial and inter-banking fund markets have been set up in Shanghai, Guangzhou, Shenyang, Chongqing and other cities. Local short-term money markets have also been set up in many other cities.

Now the business scope of fund markets has been expanded to involve the selling and buying of shares and bonds, the discounting of bills and foreign currency borrowing and lending between enterprises or banks.

Zhou Hanrong, vice-president of the Construction Bank of China, said that by the end of 1986 his bank had sold shares and bonds worth 5.5 billion yuan.

The Industrial and Commercial Bank of China has issued bonds worth a total of 3.5 billion yuan since 1985.

According to Song Ping of the State Planning Commission, China will issue 10 billion yuan-worth of bonds this year to raise investments for major construction projects and enterprises. In the meantime, the value of bonds issued by local industrial and financial departments will exceed four billion yuan.

At present, more than 1,000 companies in Shanghai have issued shares and bonds, with 250 million yuan worth of such bills being allowed to circulate on the money markets.

In addition, China has also speeded up its issuing of bonds in international fund markets. Since the China International Trust and Investment Corporation (CITIC) issued the country's first batch of bonds in Japan in 1982, China has sold bonds worth a total of 2.188 billion U.S. dollars on 21 different occasions on international monetary markets in Tokyo, Hong Kong, Frankfurt and Singapore.

Since the beginning of this year, CITIC and the Bank of China have also sold bonds worth 60 billion Japanese yen and 200 million U.S. dollars, respectively.

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## ADB DIRECTOR PROMISES 'ECONOMIC COOPERATION'

HK230448 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 22 Jun 87  
p 1

[By staff reporter Sun Yougeng]

[Text] China's first resident director at the Asian Development Bank (ADB) will go to Manila next Monday to take up his position on the ADB's Board of Directors.

Before leaving Beijing, Director Kong Fannong, currently deputy director-general of the International Department, People's Bank of China, the country's central bank, told BUSINESS WEEKLY that China will seek ways to cooperate closely with the ADB.

"I feel honoured to be China's first director at the ADB and I will do my best to represent my country's interests and work closely together with my ADB colleagues on the board to promote economic growth and co-operation in the Asian/Pacific region and especially to foster the economic growth of ADB's developing member countries," Kong said.

He said since China joined the ADB only a year ago, it is still in the process of familiarizing itself with ADB operations.

However, he said, the Chinese Government will abide by its basic principle of economic co-operation in the Asian/Pacific region, namely, "mutual respect, equality and mutual benefit, stress on exchange, and attainment of common progress."

He also quoted Chen Muhua, State Councillor and Governor of the People's Bank as saying that China was ready to shoulder its share of responsibility in the Manila-based ADB and make contributions compatible with its status in the bank.

Chen made the pledge at the ADB's 20th annual meeting earlier this year in Osaka, Japan, when China was elected to the ADB's Board of Directors.

Kong, a professional diplomat with China's Ministry of Foreign Affairs, and a member of the negotiating team which dealt with the admission of China into the ADB from October 1983 to November 1985, was selected as nominee for ADB Director for China by the Chinese Government earlier this year. Until taking his position at the People's Bank, Kong was a councillor in the Foreign Ministry's International Department.

From 1949 to 1950, Kong attended the Liberal Arts College of Aurora University in Shanghai, pursuing undergraduate studies on economics and philosophy. After attending Qinghua University in Beijing from 1950 to 1952 majoring in foreign languages and foreign studies, he obtained a diploma in Liberal Arts from Beijing University.

He joined the foreign service in 1953, and held various positions at the ministry and overseas concentrating on Asian and African Affairs until 1970. Then, he became a researcher at the Institute of Foreign Affairs. From 1979 to 1985, he headed the ministry's Division of International Economics.

In April 1980, he was also on the negotiating team for the restoration of China's membership in the International Monetary Fund and the International Bank of Reconstruction and Development and attended several annual meetings of the two financial institutions as well as a number of international economic conferences within the United Nations system.

At the ADB, he will be assisted by a Chinese colleague from the People's Bank, who will act as an alternate director.

Kong said evaluations by the ADB and the People's Bank of China are under way on projects which will be financed by the first ADB loans to China, but the loans have not been finalized.

He said China's borrowing from ADB will be limited despite the fact that China needs foreign capital to help speed up its modernization drive.

The ADB's annual lending is estimated at \$2 billion.

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## BANK LOANS EXPECTED TO BRING BETTER GOODS

OW241401 Beijing XINHUA in English 1029 GMT 24 Jun 87

[Text] Beijing, June 24 (XINHUA)--The Industrial and Commercial Bank of China has extended 10.65 billion yuan (about 2.86 billion U.S. dollars) in loans to help Chinese manufacturers produce more high quality goods that are in short supply.

According to today's CHINA DAILY, more than 3.5 billion yuan will go for renovations in the light and textile industries; 1.87 billion yuan to the electrical and mechanical industries; and 1.25 billion to communications.

The English language paper quoted Qang Jinrui, a bank official, as saying that the rest will be invested to update technology in factories.

Wang said payments on previous loans will also be invested to modernize the industries, thus pushing this year's total loans to far more than 10.65 billion yuan.

The bank's loans for technical renovation come at a time when the central government is tightening control over capital construction. Developing light and textile industries can help meet the increasing demand from domestic and world markets. China is working hard to sell electrical and mechanical products abroad.

He said this year's loans for technical renovation follow a previous success.

Last year, the industrial and commercial bank granted 14.75 billion yuan in loans for 12,000 projects to update their technology.

Shao Yuanji, another official of the bank, said that the bank helped 95,000 technical renovation projects with a total investment of 44.1 billion yuan between 1979 and 1985.

So far, 83,000 projects have been started, bringing additional pretax profits of 28.7 billion yuan. Of that, 18.2 billion yuan was used to pay the principal and interest on bank loans.

These investments helped the industries to import 1,919 production lines and 52,000 sets of equipment and buy 81,200 vehicles, 17,000 vessels, 18 aircraft and 680 locomotives.

The Qingdao No 4 printing and dyeing mill, Shandong Province, used a bank loan of about 25 million yuan to import a production line from the Federal Republic of Germany. Afterwards the mill's production value increased by 10-fold and its products are in great demand.

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## SOME PRICE CONTROLS TO BE ELIMINATED

OW271156 Beijing XINHUA in English 1136 GMT 27 Jun 87

[Text] Beijing, June 27 (XINHUA)--China plans to do away with some of the country's tight price controls in a bid to accelerate development of the commodity economy.

In a recent article in the PEOPLE'S DAILY, Tian Yuan, a price expert, said, "people have to get used to price fluctuations, and they should protect their rights and interests through consumer organizations and supervisory departments."

"Tax and budgetary policy reforms must be carried out simultaneously with price reform," Tian said, adding enterprises must improve management and cut costs to be able to absorb price increases for raw materials.

China started price reforms in 1979 to correct existing price imbalances and permit enterprises to earn profits at about the same rate and to allow prices to reflect and regulate supply and demand.

The first price adjustments were made on sideline products, non-essential foods, fuel, raw materials and synthetic fabrics, and in 1984, charges for railway and water transportation also went up.

"These price adjustments have ironed out problems influencing production and marketing and facilitated overall economic reform," Tian said, "but the work is far from complete."

Some people are advocating more dramatic measures to match and facilitate general economic reforms, while others insist on a more cautious approach because price reforms are irreversible and the public is very sensitive about the topic," Tian said.

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## BRIEFS

PETROCHEMICAL CONSTRUCTION BONDS--Beijing (CEI)--The People's Construction Bank of China will issue bonds totalling 350 million yuan in the third quarter of this year to aid the country's petrochemical construction. With an interest rate of 5.4 percent, the three-year bonds will not be sold to individuals but to government organizations and enterprises, including Sino-foreign joint enterprises. The bond-holder will have accesses to more oil products. The fund raised will be used by the Luoyang oil refinery, Guangzhou petrochemical complex, Daqing petrochemical complex, Shanghai petrochemical complex and Beijing Yanshan Petrochemical Corporation. [Text] [Beijing XINHUA in English 0546 GMT 22 Jun 87] /8309

SHOP REFORM--Beijing, June 25 (XINHUA)--China's state-owned shops should continue to introduce reforms so they can become independent economic entities and take the lead on the market. According to a circular just issued jointly by the State Commission for Restructuring the Economy, the Ministry of Commerce and the Ministry of Finance, different types of contracted managerial responsibility and director responsibility will continue to be tried out in China's state-owned shops. In line with the principles of maintaining public ownership and separating ownership and management, mid-sized shops can now be leased to groups, the circular explained. The circular also said, leasing will continue to be introduced in smaller state-owned shops and public bidding must be announced before the shops are leased. Reforms will also be carried out in wholesale departments and on prices, the circular said. [Text] [Beijing XINHUA in English 0727 GMT 25 Jun 87] /8309

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## BRIEFS

GOLD DEPOSITS--Xian, 14 Jun (XINHUA)--The recently concluded meeting to evaluate the Qin-Ba granite research project of the Ministry of Geology and Mineral Resources in Xian revealed that gold will be the most important mineral in the granite region of the Qin-Ba mountainous area, which stretches thousands of miles across Henan, Shaanxi, Sichuan, Hubei, and Gansu provinces, and is rich in mineral deposits. Surface granite can be found in an area of 34,000 sq kilometers, repressing 8 percent of the Qin-Ba region. Two years of survey by Shaanxi's Bureau of Geology and Mineral Resources had produced positive signs of gold deposits, which are expected to replace molybdenum as the most important mine in this region. [Summary] [Beijing Domestic Service in Chinese 2305 GMT 14 Jun 87 OW] /8309

COAL EXPORT BUSINESS--Beijing (CEI)--China Metals and Mineral Import and Export Corporation is now in charge of the coal export business. The corporation is now authorised by the State Council to go into the coal exporting business and welcome clients to establish business relations with it. [Text] [Beijing XINHUA in English 0624 GMT 17 Jun 87 OW] /8309

CSO: 4020/228

## OFFICIAL DISCUSSES REFORM OF AUTOMOBILE INDUSTRY

HK260310 Beijing CHINA DAILY in English 26 Jun 87 p 1

[Article by staff reporter Xu Yuanchao]

[Text] China should do more to digest and absorb imported technology so as to speed up domestic automobile production, Vice-premier Li Peng said yesterday.

In a bid to do this, and to reform the automobile industry, the State Council has decided to set up a national automotive industry federation with some administrative functions to replace the China National Automotive Industry Corporation, which was an economic entity. To avoid confusion among foreign businessmen, the new organization will use the same English name.

Li said at an automobile conference, held in Beijing, that the reform marks a new stage in the development of the industry.

A spokesman for the conference said the federation will work out a strategic plan for the industry's future development and give suggestions to the government for the industry's overall planning.

The federation will draft laws and regulations, provide production licenses and supervise quality control in vehicle plants.

Since Liberation, Li Peng said, the automobile industry has developed from zero to the current level where it has a staff of 1.4 million and fixed assets of 15 billion yuan but it only produces about 400,000 vehicles annually.

The vice-premier said the country's automobile industry is still backward and its products cannot meet the demand of other industries. The state has to spend "a large amount of foreign exchange" on imports of cars and heavy-duty vehicles to meet this shortfall, he said.

The industry will continue to carry out the open policy and introduce up-to-date technology and management expertise.

Li said the imported technology should be "digested," so joint ventures will use more Chinese-made parts than imported ones, "otherwise, the industry will have no future."

The conference passed a constitution and elected a chairman and 11 standing members to the federation board.

Chen Zhutao, chairman of the board, told the conference that the federation is an organization which all automobile enterprises can join voluntarily. It will become a bridge between government and enterprises to oversee the automobile industry.

The federation will provide consulting services and put forward suggestions to the government, Chen said.

He said the federation will also exercise "necessary management powers, authorized by the government, on automobile manufacturers."

The conference spokesman said so far 364 vehicle enterprises have applied to join the federation. The conference opened on Tuesday and will close today.

Han Yulin, chairman of the Jiefang Motor Corporation, one of the largest vehicle manufacturers in China, told CHINA DAILY the nation's auto industry faces two major problems--lack of funds and scattered production.

"Obviously, the establishment of the federation means the industry is to decentralize its power to manufacturers. But we hope it will take some measures to solve the problems and reduce the dependence on imports of cars," he said.

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CSO: 4020/225

## MEETING ON DEVELOPMENT OF AUTOMOBILE INDUSTRY

OW221428 Beijing XINHUA in English 1411 GMT 22 Jun 87

[Text] Beijing, June 22 (XINHUA)--China is trying to improve the country's own automobile industry to break its dependence on imported passenger and tourist vehicles, a recent meeting revealed.

For years, China has restricted development of the production of such cars, and when pressed by market demands from 1981-1985, had to spend 970 million U.S. dollars to import 100,000 cars, it was learned at the meeting, while unfortunately, imports still do not meet increasing demands.

China now has 270,000 cars and 230,000 jeeps, with every 2,000 Chinese sharing one car, which is less than the world average of 76 cars per 1,000 people.

"China's market demand will grow to four million such vehicles by the end of this century," an auto industry expert told XINHUA.

"If we don't improve our own automobile industry, more cars will have to be imported, because existing vehicles will wear out," he said, adding it takes at least five years for a car factory to start full-scale production.

Research results announced by experts in economy, planning, science and technology show if the number of the vehicles needed in China by the year 2000 is 15 million, including the four million cars, 35 percent of the country's refined oil and 6.3 percent of its steel output will be used to meet these demands.

"Development of China's automobile industry will not be an extra burden on Chinese industry, but will promote the raw material, machine-building, electronic and chemical industries," one researcher said, "and will also require better roads, parking lots and service stations."

The researchers also suggest the Chinese automobile industry aim for high standards and mass production, and not repeat the blind importing of assembly lines needed for color television sets and other household electric appliances over the past few years.

"Chinese vehicles should replace imports gradually, and at last break onto the international market," the researchers added.

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## AUTOMOBILE JOINT VENTURES IN CHINA VIEWED

OW280400 Beijing XINHUA in English 0041 GMT 28 Jun 87

["News Feature: Auto Joint Ventures Pay Off in China"--XINHUA headline]

[Text] Shanghai, 28 Jun (XINHUA)--(By CHINA DAILY correspondent Hu Sigang and XINHUA reporter Bai Guoliang) Sino-foreign automobile joint ventures are playing a vital role in upgrading the country's auto industry.

They are helping the country bring up a new generation of automobile workers and management personnel, and forcing a large number of enterprises in related industries to reconstruct their production to meet the new needs.

Since the first joint-venture contract in this field was signed between the Beijing auto works and American Motors Corporation in May 1983, three similar ventures have sprung up and are now either manufacturing or assembling vehicles including the Beijing Cherokee jeep, Shanghai Santana and Guangzhou Peugeot.

They are the Beijing Jeep Corporation, the Shanghai Volkswagen Automotive Company and Guangzhou Peugeot Automobile Company, whose products were so popular with the people from all over the country at a recent international automotive exhibition here that many of their planned products for 1988 have been ordered in advance.

And this is but the first step that China has taken to narrow a gap of about 20 to 30 years in car production with industrially developed countries. China aims to turn out domestically made vehicles of world standard soon with the help of imported technology.

But both Chinese and foreign partners understand that it will be a very hard task. "It's a difficult and complicated technical and management process," said Martin Posth, [spelling of name as received] deputy managing director of Shanghai Volkswagen.

Pierre de Montgolfier, general manager of Guangzhou Peugeot, said the process would be a long one. And Chinese officials from Beijing Jeep and Guangzhou Peugeot admitted, it's not an easy job.

"We understand that our job here is to develop together with our Chinese partners China's automotive industry," said Posth. "We provide advanced technology and management and funds with an aim to produce together with our Chinese partners products at the international level and competitive on the world market.

"To realize the aim, we need joint efforts of all staff. We first need a highly effective management to ensure increases in productivity, profits and competitiveness."

Turning out 40 Santanas per day, Shanghai Volkswagen, which started operations in September 1985, has 2,000 workers including engineers and management personnel.

Realizing the high quality of workers and management personnel is "the key point" and "the yardstick of being successful in the world market," Posth said his company has established a training center, which was originally not included in the contract.

The company worked out an overall training plan for professional, on-post and spare-time training. It also sent a lot of people abroad picked from all divisions of the company to be trained in Volkswagen plants. "They can train other people after they come back," he said.

In addition to the training schemes, the company has also employed qualified personnel from outside the company, he said.

The core of localization is to raise the quality of local parts and components. But the long-restrained car industry in the country makes it unlikely for the Chinese parts suppliers to offer a large number of up-to-date products soon.

To pool efforts to improve the situation, task forces involving manufacturers and researchers from various industries all over the country have been formed in a few big cities including Beijing and Shanghai. Factories in the raw materials, mechanics, electronics and chemistry industries are gearing up their research and production to the needs of the automobile joint ventures despite the difficulties of limited technology, equipment and funds.

The joint ventures have offered help as well. For example, the Shanghai communications electrical equipment factory has developed a horn which is not only used on Shanghai Santanas and Beijing Cherokees but also exported overseas, with help from the Shanghai Volkswagen Company.

"It's very good now. A German company just asked for 19,000 horns," said Posth.

So far, about 15 locally-made parts have been used on Shanghai Santanas. Posth said he was very sure that 60 new Chinese-made parts will be used this year and by the end of 1989 the localization of Santana parts will be 50 percent in terms of the total value of the car.



At the Guangzhou Peugeot Automobile Company, the local content is 18 percent, according to General Manager Pierre de Montgolfier. Its ultimate goal is 90 percent.

At the Beijing Jeep Corporation, the local content is 23 percent in terms of the cost, according to Yang Yuchun, chief of the company's sales department.

Shanghai Volkswagen has already made profits. But the partners have decided to give up the dividends and reinvest the money in production. The company's plan is to turn out 30,000 cars a year, plus 100,000 car engines. It also aims to take 75 percent of the future China market and turn Shanghai into the center of the Chinese car industry.

Guangzhou Peugeot does not show any sign of being willing to rank second. It has changed its original plan from producing 15,000 cars a year to 30,000. "This shows our will to succeed in China," said Montgolfier. "Even 30,000 cars a year is but one of the steps in our development. According to the needs of the future China market, we will increase our output."

The French general manager said his joint venture intends to export its products in 2 to 3 years.

The Beijing Jeep Corporation, which has a staff of 4,000 people, produced 1,500 Cherokees and 22,500 BJ212 jeeps last year. It has already exported some of its products to countries in Asia and South America. This year it plans to export more than 200 jeeps. With the help of imported technology, the company will make improvements on the old model jeeps developed by the Beijing auto works in 1965, according to Yang Yuchun.

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## BRIEFS

RENOVATION PROJECTS COMPLETED--Beijing, 30 Jun (XINHUA)--China's first group of 550 key projects scheduled for technical renovation in its electrical machinery industry have been completed recently, according to the State Commission for the Machine-Building Industry. Thanks to the renovation, a total of 11,000 new varieties have been introduced and one-third of them are up to the international levels of the late 1970s and the early 1980s, a spokesman for the commission said. According to the commission, China's key auto enterprises have finished changing their auto models, and the country has reinforced its production capacity for large generators, communications satellites, and equipment for open-cut coal mines. Profits of the technically upgraded enterprises have increased 72.6 percent as a result, the commission said. China is now to make 11 billion yuan of investment in the second group of projects for technical upgrading totalling 565 key projects in the same industrial sector. When completed, these projects are expected to increase 26 billion yuan of output value and 5 billion yuan of tax revenue for the state a year. [Text] [Beijing XINHUA in English 0732 GMT 30 Jun 87] /9604

CSO: 4020/230

## RURAL ENTERPRISES IMPROVE PERFORMANCE IN 1986

OW281112 Beijing XINHUA in English 1044 GMT 28 Jun 87

[Text] Beijing, June 28 (XINHUA)--More than 15.15 million rural enterprises in China increased their total income by 31.1 percent in 1986 over the previous year, according to the latest figure provided by the State Statistics Bureau.

The bureau data show the total number of rural enterprises at the end of last year increased by 24 percent over the previous year. They provided 79.37 million jobs, up 29.4 percent from 1985.

Fast-developing businesses run by individuals and co-operation between households, more than 13.4 million in number, provided 33.96 million jobs. They reported increases of 29.4 and 28.1 percent, respectively, in the total number and employees last year over the previous year, the bureau said.

Enterprises run by villages and townships continued to provide more jobs and added 14,600 yuan-worth of fixed assets, though five million were closed down last year, the bureau said.

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## BEIJING SELF-EMPLOYED FORM NETWORK

OW230556 Beijing XINHUA in English 0542 GMT 23 Jun 87

[Text] Beijing, June 23 (XINHUA)--More than 144,000 self-employed people in China's capital have formed a network of administration by setting up associations at various levels, said vice-director of the Beijing Self-employed Association.

"These associations supervise the self-employed to make sure they practise business in accordance with the law," added Wang Chang, the vice-director. "They also protect the legal rights and interests of the self-employed and help them with business difficulties."

The city has set up a pyramid of organizations for the self-employed. Under the Beijing self-employed association, there are 18 district and county associations, 146 branches in neighborhoods, townships and villages, and 4,871 groups with 10 to 15 persons in each.

Four party branches and 10 youth league organizations have been set up among the city's self-employed.

"These associations connect the city's self-employed with the municipal party and government departments," said Wang. "They are independent mass organizations under the guidance of the administration for industry and commerce at the same level."

Since 1985, the Chongwen District Self-Employed Association has organized its members to study laws and regulations on taxes, prices and food hygiene.

The city's associations for the self-employed have in the past two years helped handle nine cases of disputes for their members. A self-employed family regained a house facing the street with the help of a law consultant from the city's self-employed association.

The Changping county's association has offered 25,000 yuan in interest-free loans to its 18 self-employed households.

The county's Xifengshan branch set up a fund cooperative and raised 3,030 yuan from its members to help those with difficulties in their businesses.

"There is an old saying that counterparts are foes, but we are friends and it is our common wish to get rich together," said a member of the fund cooperative.

Self-employed households have developed rapidly in the capital, said the vice-director. Now the city has 92,539 self-employed households with 144,493 people, 1.4 percent of the city's total population.

Private business stalls have reached 6,371--77.36 percent of the city's total.

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## REFORM HELPS EASE HOUSING SHORTAGE IN HENAN

OW200916 Beijing XINHUA in English 0652 GMT 20 Jun 87

[Text] Kunming, 20 Jun (XINHUA)--Investment by residents in their own housing proved to be an effective way of easing the shortage of residential quarters, according to a national meeting on house construction held here recently.

Nanyang City, Henan Province, with a population of more than 200,000, is a successful example. It greatly eased the city's housing shortage when 21 residential villages were completed between 1981 and 1985 with investment coming from local residents. They accounted for 54 percent of the total residential buildings completed in the same period.

The residential villages were built around the areas bordering the urban and suburban areas. They are buildings of just two to three storeys high, with two families sharing one building. A flat of 110 square meters usually costs between 7,000 yuan and 10,000 yuan.

In the past, the construction of residences in the city totally depended on government investment, which was only able to build less than 4,000 square meters each year.

Since 1980, the city government worked out a plan to raise building funds from local residents.

Under the new system, residents donate money for building materials, labor and the installation of plumbing and electrical supply system inside the courtyards. The government pays for the house design, land and the cost for outdoor drainage and electric and water supply systems.

Work units will pay a portion of the cost for some employees who have economic difficulties. The government provides interest free loans to some poor families.

Each square meter of floor space was designed to cost only 70 yuan, about half of government funded houses.

"Residents are interested in this form of house purchasing," said Zhao Taihe, deputy director of real estate bureau of Nanyang City, adding that about 80 of them are suffering from housing shortages.

In the past 6 years, about one third of all families have moved into new apartments built with their own money, Zhao said.

At present, more than 70 percent of residential houses are privately owned, he said. "The rent of houses offered by the government is set at a nominal 0.1 yuan for each square meter which is barely enough to cover the cost of repairs."

The city will also charge more rent to encourage people to invest in building houses, the official said.

Privately raised construction funds are on the increase in small cities in China. Statistics show that in 1985, 28.4 million square meters of floor space were completed with this type of fund, accounting for 18.5 percent of the apartments completed in all the urban areas.

Nanyang's example will be promoted in big cities, according to an official from the Ministry of Urban and Rural Construction and Environmental Protection.

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## NEW RURAL HOUSING CONSTRUCTION SHOWS INCREASE

OW261250 Beijing XINHUA in English 1153 GMT 26 Jun 87

[Text] Kunming, 26 Jun (XINHUA)--Residents of China's rural areas built 4.26 billion square meters of new housing from 1979 to 1985, and now each person living in the countryside has an average of 17.8 square meters of living space.

Zha Jiade, deputy director of the rural construction bureau of the Ministry of Urban and Rural Construction and Environmental Protection, made the announcement at a recent housing seminar in Kunming.

According to Zha, "the construction of new housing over the past 8 years has topped all residential construction during the last three decades, and this is because farmers' incomes have increased rapidly and their expenditure is much lower than urban residents and because they have the space to build their own new houses."

Houses are being built faster in rural areas than in cities, and Zha praised China's 800 million countryside dwellers for their hard work and initiative.

From 1980 to 1985, rural industrial and agricultural output value doubled, and by 1986, the annual per capita income in rural areas was 424 yuan (U.S.\$115).

"Families must save for several years to build a new house, and for most of the country's farmers building their own home is their biggest goal," Zha explained, adding a recent survey revealed rural dwellers spend one-fifth of their income on housing.

Ethnic minority groups living in South China's Yunnan Province are leaving their traditional thatched huts behind, and building new homes from the profits they earn from cash crops like tea, rubber and tropical fruits.

Farmers in eastern China's economically-developed areas are paying more attention to the quality and style of their homes, and are giving up traditional mud brick walls, thatched roofs, and paper windows, for brick, tile, glass and reinforced concrete.



Although more new housing is available, the central government is concerned about large areas of farmland being occupied, and fertile soil being used to make bricks.

China plans to assist every rural family build a house of at least 100 square meters by the end of this century, and to hit this target, another 9 to 10 billion square meters of housing is needed.

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## BRIEFS

GUANGDONG CUTS BACK CONSTRUCTION--Guangzhou, 23 Jun (XINHUA)--The Guangdong provincial government will not approve any new capital construction project this year. According to the director of the Provincial Planning Commission, He Kuan, at today's 6th session of the 6th Provincial People's Congress, "This step will ensure completion of important construction projects now in progress in the province." This south China province plans to invest 2.2 billion yuan (U.S.\$595 million) in capital construction this year, a decrease of 7 percent from 1986, and will spend only 1.37 billion yuan (U.S.\$370 million) on construction in the province's three special economic zones, the director said. He said, "These limited funds will be concentrated on construction projects in energy, transportation, agriculture, technology transfer and education." The provincial government will pool 2.2 billion yuan (U.S.\$595 million) locally to ensure technology transfer from the light and foodstuff industries to the machinery and electrical industries. The director also called for stopping construction on nonproduction-related projects, hotels, office buildings and recreational areas. [Text] [Beijing XINHUA in English 1542 GMT 23 Jun 87] /9604

'DESIGN NORMS' FOR RESIDENTIAL BUILDINGS--Beijing, 30 Jun (XINHUA)--China issued here today design norms for residential buildings which will take effect tomorrow. The norms, the first in China, are applied to all residential buildings under 30 storeys built in cities, towns, factories and mines, according to the newspaper CONSTRUCTION NEWS. The norms stipulate that each apartment should consist of bedrooms, a kitchen, a toilet and a storeroom. Apartments can be small, medium or large. The floor space for a small one should not be less than 18 square meters, while a medium-sized one has to be at least 30 square meters and a large one must be of more than 45 square meters, the norms say. Every apartment must have at least one room that receives sunshine and met other specifications relating to ceiling height, lighting, air circulation, and sound and heat insulation, according to the building norms. [Text] [Beijing XINHUA in English 1410 GMT 30 Jun 87] /9604

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## ZHENGZHOU DEVELOPING AS 'IMPORTANT TRADE CENTER'

OW200433 Beijing XINHUA in English 1351 GMT 19 Jun 87

[Text] Zhengzhou, 19 June (XINHUA)--Zhengzhou, capital city of Henan province, is being developed into an important trade center in China, a provincial official said.

In the first three months of this year, there were ten national meetings for ordering goods in the city. Goods include light industrial, agricultural and native products, the official said, adding the volume of transaction in agricultural and native products hit more than 2 million yuan.

According to the official, other national meetings for ordering chemical products, building materials, timber and industrial items will also be held here this year. The city has established trade relations with some 500 units throughout the country.

This ancient city used to be an economic and political center during the Shang Dynasty dating back 3,500 years ago.

The official said transportation routes from the city radiate in all directions of the country. Zhengzhou's North Railway Station is China's largest marshalling station, handling more than 16,000 trains a day while the East Station is the country's biggest terminal, where export goods are transported directly to major harbors of the country.

In other sectors, the Ministry of Commerce set up its large warehouses for agricultural and agricultural by-products and the State Administration of Medicine has set up a Chinese medicine trade center, in addition to some provincial exhibition halls and buildings in the city.

The construction of another six markets covering a total area of 130,000 square meters, is underway, the official said.

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## MOFERT VICE MINISTER ON BOOSTING FOREIGN TRADE

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 10, 16 Mar 87 p 26

[Article by Jing Xinheng [4842 6580 1854]: "Important Measures To Be Taken This Year by China To Boost Foreign Trade; Vice Minister of Foreign Economic Relations and Trade Li Lanqing [2621 1526 3237] Analyzes Foreign Trade Situation"]

[Text] In talking about trends in the development of Chinese foreign trade at a meeting a few days ago, Vice Minister Li Lanqing of the Ministry of Foreign Economic Relations and Trade stated that Chinese foreign trade would grow considerably in 1987.

## Make Full Use of Favorable Factors To Develop Foreign Trade

Li Lanqing said that protectionism is currently on the rise around the world. Besides tariff barriers, there are increasing numbers of various nontariff barriers and protective measures, so that the competition will become even more intense. The prices of primary products on the international market are also tending to go down. Given the current mix of China's export commodities, these factors are extremely unfavorable to the expansion of Chinese exports. Further factors affecting the expansion of exports are the problem of domestic supply shortages, which will not be easily solved within a short period of time; the low quality and grade of many export commodities; and weak competitive ability. Of course, international trade will continue to be influenced by instability in the international price of oil, the fall in value of the U.S. dollar, and the rising value of the Japanese yen, the FRG mark, and the Swiss franc. In the near future the world economy can hope to maintain a certain amount of growth, and the scale of international trade will grow. Demand in the United States, Japan, Western Europe, and other countries for imports, especially personal consumer items, will continue to grow. China's highly effective diplomacy will also further promote the development of foreign economic and trade relations.

## Adjustments Made Last Year in Mix of Import and Export Commodities

Vice Minister Li stated that 1986 was a difficult year for Chinese foreign trade, especially exports, but it was also a year in which much was achieved,

due to the common efforts of industrial and trade departments and the many, many workers in enterprises throughout the country. Chinese foreign trade last year had to proceed under very difficult conditions, including a large trade deficit, a shortage of materials for exports, and general rises in the supply price of goods. The fall in prices of primary products on the international market, particularly the slump in oil prices, dramatic changes in the conversion rates for the major international currencies, the increasing intensity of trade protectionism, and the fierce competition all seriously threatened China's exports. But thanks to the timely adoption of vigorous measures and hard work from all sides, China overcame the difficulties, achieving new progress in foreign trade, especially exports. According to statistics from MOFERT, in 1986 China's foreign exchange earnings from exports were \$27,003,000,000, 4.2 percent more than in 1985. Imports were worth \$32,756,000,000, 4.6 percent less than the previous year. The export growth momentum was maintained, while imports were controlled to an appropriate level, reversing the sharp rise in imports of the previous year.

An overview of imports and exports in 1986 reveals the following characteristics:

--The foreign trade deficit was sharply reduced. Due to increased export earnings and control over imports, last year's trade deficit was \$5.75 billion, \$2.66 billion (31.6 percent) less than 1985.

--The export commodity mix moved toward more multiple-processing and precision work. In order to make up for the loss in oil export earnings, last year China increased exports of finished products. There were more exports of light industrial products, textiles, grain, edible oil, foodstuffs, local products, animal products, handicrafts, machinery, and electrical products.

--The import commodity mix was adjusted. Compared to 1985, China's imports last year of steel, iron ore sand [tie kuang sha [6993 4349 4263], literally, "iron ore sand"], new technology, complete sets of equipment, and other commodities rose sharply, while imports of high-grade consumer goods were cut back.

--China is exporting to a wider variety of countries and regions. China's exports last year to Hong Kong and Macao were worth \$11.92 billion, 6.4 percent more than the previous year. The trade surplus was \$3,592,000,000. Hong Kong has become China's second largest trading partner.

Sino-Japanese trade last year was worth \$13.61 billion, 17.2 percent less than the previous year. Exports to Japan were worth \$4,359,000,000, 22.3 percent less than the previous year; imports were worth \$9,254,000,000, 14.5 percent below the previous year. China's deficit was close to \$4.9 billion, but it was clearly less than the previous year's. Japan remains China's largest trading partner.

Total volume of Sino-American trade last year was \$5,812,000,000, more than 17 percent below the previous year. Exports to the United States were worth \$2,475,000,000, a decline of 6.7 percent; imports were worth \$3,337,000,000, a drop of 23.7 percent. China's deficit was more than \$800 million. China's

exports last year to the EEC were worth \$2,629,000,000, 19.9 percent more than the previous year. Imports were worth \$5,716,000,000, 2.8 percent above the previous year.

The volume of Sino-Soviet trade last year was \$2,617,000,000. Exports to Eastern Europe also maintained a fairly fast rate of growth. China at the same time actively developed trade with countries and areas of the Third World, based on the principles of equality, mutual benefit, and mutual support.

#### Make Reasonable Arrangements, Adopt Effective Measures

Li Lanqing said that the key to achieving China's Seventh 5-Year Plan is to strive to increase exports and earn more foreign exchange. In 1987 China will rationally arrange its economic relations and trade, stress major projects, and adopt the following measures:

--There should be further implementation and enforcement of various policy measures encouraging exports, with prompt resolution of problems encountered during implementation and further stimulation in every quarter of enthusiasm for developing exports.

--Emphasis should be put on carrying out development of an export production system. There should be overall planning and reasonable location of sites, with attention given to taking advantage of the excellent conditions in the coastal areas. Use of funds should be linked to export earnings, and priority should be given to improving quality and grade. Strict supply and sales contracts should be established, thus guaranteeing exports.

--Vigorously expand exports, aggressively develop new markets internationally, and strengthen cooperation with multinational corporations in order to better integrate business with the market. Companies that have the prerequisites to develop into multinational corporations should do so. We should employ every industry in the production of goods for export to expand foreign economic relations and trade. We must stress improving management standards, should stress Stress should be put on raising the business management level, strengthening business accounting, and improving economic results.

--Continue to promote steady reform of the foreign trade system. In 1987 the main emphasis will be on making every preparation for reform of the foreign trade system by further improving the reform plan and drafting the best coordinated measures. At the same time, policy measures which help increase exports and improve economic results should be brought out as soon as possible.

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## TEXTILE MINISTRY SEEKS FOREIGN INVESTORS

HK230446 Beijing CHINA DAILY (BUSINESS WEEKLY Supplement) in English 22 Jun 87  
p 1

[By staff reporter Sun Yougeng]

[Text] In an effort to attract more foreign investment into the textile and garment industries, China's Ministry of Textile Industry is currently compiling a list of projects which may be of interest to potential foreign investors.

By the end of last month, the list had about 240 projects whose combined investment would total 3 billion yuan, of which overseas investment is estimated at \$350 million.

At the same time, the ministry is also drafting detailed policy guidelines to direct foreign investment in the industry, currently the country's top foreign exchange earner, Vice Minister Ji Guobiao told BUSINESS WEEKLY in an interview.

He said the ministry encourages foreign businessmen to invest in fine and in-depth processing of textile and garment production, to provide not only advanced equipment but also "software" which will raise products quality and enhance marketability. Such "software," he said, would include new technology, designs, styles and product brands.

He said the ministry also wants foreign businesses to provide sales channels so Chinese products have access to world markets. Priority will be given to foreign businesses whose products are not subject to or require few export quotas.

"We are very encouraged by the enthusiasm about cooperation with foreign counterparts displayed by domestic manufacturers under the administration of the ministry," he said, adding that his ministry has designated its Department of Foreign Affairs to handle the matter.

The Vice Minister said the 240 projects will adopt such cooperative forms as equity and contractual joint ventures, wholly-owned foreign business, compensation trade, foreign material processing, leasing, licensing trade, trademarks and brands.

"Most of the production of such businesses should be export-oriented," said Ji. "We will guarantee the supply of raw materials."

He said China is rich in both ordinary and special raw materials for the textile industry. Supply of cotton, chemical fibre, and ramie and flax is also very abundant. The country is also a major manufacturer of silk and the production of rabbit fur and down has seen rapid development during the last few years, he said.

Cheap labour, limited investment needed for building new textile factories and the maturity of the textile industry in China are advantages that should be of great interest to potential foreign investors, Ji said.

China's textile industry plays a major role in the national economy, with 45,000 enterprises employing about 6.8 million people. The profits and taxes the industry hands in to the government account for 7.3 percent of total revenue.

He said huge profit margins and great potential for production expansion in China's textile industry are also attractions for foreign businesses.

Many of the businesses involving foreign investment in China have so far generated quick returns.

The Tianshan Woollen Fabric Company Ltd in the Xinjiang Uygur Autonomous Region, a joint venture with a Hong Kong business, introduced Japanese equipment and management skills. Its products, namely woollen and cashmere sweaters, have been exported to 20 countries and some have been sold in American department stores because of their good quality. In five years, the business earned about \$32.5 million.

The Victor Onward Printing Dyeing Company Ltd, which used to be a wholly-owned Hong Kong business and later became a joint venture with Union Textile of China Ltd in 1985, generated a profit of HK\$25 million (\$3.2 million) in 1986, the exact amount of its original investment.

He said during the past few years, China has utilized much foreign capital to upgrade its textile industry in various forms. According to statistics compiled by the ministry, the number of such businesses under the control of the ministry increased from two in 1982 to 156 by the end of last year.

Such business have played a major role in promoting the development of China's textile industry, Ji said.

They introduced sophisticated equipment to help upgrade product quality, brought in capital to ease domestic financial resources, adopted advanced management skills, provided timely information and trained personnel and most importantly, raised the country's export ability, he said.

China's textile exports have already replaced petrochemical products as the country's top foreign exchange earner. According to the China National Textile Import and Export Corporation, the export value of textile products



reached \$3 billion in the first five months of this year, an increase of 40 percent over the corresponding period of last year.

Textile exports will continue to be China's major source of foreign exchange income. Late last year, the State Council, China's supreme governing body, decided to incorporate the garment industry, which until then was an arm of the Ministry of Light Industry, into the Ministry of Textile Industry which had been merely a supplier of textiles. The ministry now also takes care of the garment industry.

"Now, we can coordinate the two industries better," Ji said.

Textile machinery will be of prime importance, Ji said, noting foreign cooperation will be most welcome in this field. China already has cooperative ventures with West Germany, Holland, Italy and Switzerland and Japan in producing textile machinery, he said.

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## HEILONGJIANG GOVERNOR ON SINO-SOVIET TRADE

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 10, 16 Mar 87 p 32

[Article by Zimin [1311 2404]: "Border Trade Between Heilongjiang and Soviet Union Looks Good to Governor Hou Jie [0186 2212]" ]

[Text] This reporter recently interviewed the governor of Heilongjiang, Hou Jie, in Harbin. Hou stated that Sino-Soviet border trade has quite a large potential and development of that trade is in the best interests of the border residents of both countries. If both sides take a bit more initiative, there will be fine prospects for Sino-Soviet border trade.

In the past few years, progress has been quite smooth in developing local border trade between Heilongjiang and the Soviet Far East. Both sides have developed border trade relations based on the principles of "equality, mutual interest, and meeting each other's needs." This trade is a useful addition to the trade agreement between the two governments. According to statistics, the volume of trade between Heilongjiang's Foreign Trade Co and the Soviet Far East Foreign Trade Co was 29 million Swiss francs. Economists report that to an extent this trade has vitalized the economies in the two countries' border areas.

Heilongjiang's border with the Soviet Union is almost 4,000 km long. In 1957, the province established a trade company specializing in border trade. After 1968 these trade relations were stopped for a time. In 1982, the Chinese and Soviet departments of foreign trade exchanged notes and decided to resume border trade. The two sides started to officially supply goods in May 1983. In that year the volume of imports and exports was 15.9 million Swiss francs. In 1984 the trade volume was 26 million Swiss francs, and in 1985 it increased to 32.5 million francs. Looking at the commodity composition of the bilateral border imports and exports, we see that Heilongjiang mainly imports from the Soviet Union lumber, cement, chemical fertilizer, glass, soda ash, household electrical appliances, and other everyday consumer items. Going the other way, Heilongjiang's grain, edible oil, foodstuffs, thermoses, tennis shoes, hand towels, pillow towels, bath towels, light industrial products, textiles, and some electronic goods have been welcomed by residents of the Soviet Far East.

According to information from officials in Heilongjiang's economic and trade departments, since 1983 Heilongjiang has held a number of trade shows with samples of export commodities at (Ge-luo-jie-ke-wo [2706 5012 2212 0344 3087]) in the Soviet Far East. From 200 to 300 commodities have been displayed, enabling the Soviets to have a better understanding of what export commodities Heilongjiang can offer.

Economists here are optimistic about the prospects for growth in local border trade between Heilongjiang and the Soviet Union. At the beginning of January this year, Heilongjiang held a foreign investment conference at its capital, Harbin. Soviet commercial officials in China came and participated; they also discussed border trade matters with some officials from Heilongjiang's economic and trade departments. Heilongjiang officials indicated that following the growth in trade and contacts between China and the Soviet Union and with the effort of both sides, local border trade between the two countries would also be steadily expanded.

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## JIA SHI LED DELEGATION AT JAKARTA TRADE FAIR

OW201759 Beijing XINHUA in English 1550 GMT 20 Jun 87

[Text] Jakarta, 20 June (XINHUA)--The 1987 Jakarta International Trade Fair opened here this afternoon with China participating for the first time in about 32 years.

Indonesia Vice President Umar Wirahadikusumah cut the ribbon at the opening ceremony.

Besides Indonesia and China, participants in the fair are Japan, Iran, Jordan, India, the Soviet Union, Czechoslovakia and China's Taiwan.

Jia Shi, chairman of the China Council for the Promotion of International Trade, is at the head of the 180-member Chinese delegation.

The Chinese exhibition center was the biggest among all participants, covering a floor space of 2,400 square meters. On display are about 4,500 products including light industrial goods, metals, minerals, chemicals, machinery, handicrafts, textiles, medicines, electric appliances, electronic goods and computers.

The trade relations between China and Indonesia have been developing steadily since the signing of a memorandum of understanding between the two countries in July 1985.

According to figures released by the Indonesian Chamber of Commerce and Industry, Indonesia's exports to China last year reached US\$310 million against imports of 114 million dollars. Indonesia's main imports from China were food, coal and agricultural equipment while its main exports to China were fertilizer, palm oil and wood.

During the one-month exhibition, the Chinese trade delegation will hold talks with Indonesia businessmen on further increasing the trade volume between the two countries.

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CSO: 4020/224

## BEIJING SETS UP COMPUTER SOFTWARE JOINT VENTURE

HK230452 Beijing CHINA DAILY (BUSINESS WEEKLY supplement) in English 22 Jun 87  
p 1

[By staff reporter Wang Yanping]

[Text] The Beijing Stone Group Corporation (BSGC), specializing in the development of computer software, has pressed the fast-forward button to enter the world market by launching a joint venture with a Japanese company.

The high technology joint venture to produce MS series Chinese-English typewriters and its accessories, was set up in the northern suburb of Beijing at the end of last month with a total investment of 4 million, of which the BSGC put in 75 percent and Mitsui Company holds the remainder.

Of the Chinese share 30 percent is in the form of technology for the advanced Chinese-English MS typewriter series.

"This is the first time in China that a Chinese company has put its technology in as share capital to set up a joint venture with a foreign business," said Li Yuzhuo, director of the production department of Beijing Office Equipment Technology Company--the name of the new venture.

It will have an annual production capacity of 20,000 to 100,000 MS series typewriters including the Chinese-English typewriter and printers. The venture plans to produce 60 percent of its parts in two or three years in China. Now, they are mainly imported from Japan.

The BSGC will act as agent to sell 70 percent of the products on the domestic market and the Japanese company will be in charge of the other 30 percent abroad. In the future the venture will set up a marketing network overseas to get a hold on the world market, said Li.

The MS series Chinese-English typewriter to be produced by the joint venture has been considered by a leading British company dealing in office automation as the best in the world in terms of price and function.

In the world there are about 10 types of Chinese-English typewriters. The MS 2400, developed by BSGC in cooperation with Mitsui a year ago, has been enjoying good sales, with 7,500 sets sold in a year, according to BSGC.

"There is a great potential market both at home and abroad, if we adopt a suitable policy on marketing, it is possible for the venture to sell 40,000 to 50,000 sets yearly and the export volume is expected to account for 30 percent," said Cao Wuqi, director of BSGC's General Manager Office.

The establishment of the venture means that the BSGC can manufacture products at home. In the past the BSGC provided the technology and was in charge of sales on the domestic market and the Japanese company produced the machine.

Cao said: "We are considering setting up a computer research institute in Japan in order to follow the latest technology and market trends in the world."

Cao explained the advantages of setting up the venture. "First we can save foreign currency, over which we always have trouble, by importing parts rather than the complete sets and thus we can undercut competitors."

"Secondly, we have more freedom to organize production in light of the domestic market because we have flexibility when we import parts."

"And this is advantageous to the gradual localization of production since we can use domestic-made components as substitutes."

Cao said the joint venture resulted from cooperation between BSGC and Mitsui. The first cooperation was in 1984 when the Beijing Stone Corporation, the predecessor of the BSGC, was initiated by several engineers headed by Wan Runnan who quit his job as a director at the Chinese Academy of Sciences.

In 1984, there was an intense popular interest in microcomputers. Many units imported IBM-PC computers, but many microcomputers lay idle since the inputting and outputting of Chinese words was not solved. The Beijing Stone Corporation imported a M2024 printer from Mitsui and made it compatible to IBM-PC computers in a short time. The development proved a success, saving the country 9 million in imports.

The Beijing Stone Corporation's efficiency surprised the Japanese company, which showed its willingness to cooperate in developing a Chinese-English typewriter in 1985.

A year later, MS 2400 Chinese-English typewriter, an ideal system of Chinese word processing, was brought forth and became the corporation's main earner.

In May the BSGC and Mitsui developed another kind of Chinese-English typewriter the MS2401, with the former providing the software design and the latter the hardware.

"With the establishment of the joint venture more new models will be developed," said Cao. "We are concentrating on processing the original form of the simplified Chinese words and the prototype is expected to be put on market late this year."

In three years the BSGC, a collectively-owned corporation has grown massively. It has eight branch companies nationwide and more than 100 sales offices. Plans are afoot to set up another 6 branch companies in Hong Kong, Tianjin, Chengdu, Shenyang, Fuzhou and Xian.

The BSGC has a staff of 300, with 3 million yuan in fixed assets and 10 million yuan in capital. In three years, it has added 10 million yuan to the State's revenue. This year the corporation's revenue. This year the corporation's sales volume is expected to reach 200 million yuan.

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CSO: 4020/224

## PRC SHIPYARDS REPAIR MORE FOREIGN VESSELS

HK190534 Beijing CHINA DAILY in English 19 Jun 87 p 2

[By staff reporter Xie Songxin]

[Text] Chinese shipyards are repairing more foreign vessels amid fierce competition in the world shipbuilding market, CHINA DAILY was told yesterday.

The China State Shipbuilding Corporation (CSSC) said the country had repaired 132 vessels for shipowners in more than 20 countries and regions, including Britain, West Germany, Norway, Singapore and Greece, and 44 ships for Chinese owners in the first five months of this year, by which time the ship repairing industry fulfilled 53 percent of this year's plan.

Bi Yueran, managing director of the corporation's ship repairing department, said China is now repairing two deep-sea vessels for Poland. It has delivered two ships to the German Democratic Republic and one to Hungary.

Two Soviet ships last month left the Dalian Shipyard in Liaoning Province and the Xingang Shipyard in the city of Tianjin after being repaired for 28 and 13 days respectively.

The ships, one of 10,000 deadweight tons and another a bit smaller, were the first orders the Soviet Union has given to China after the deterioration of Sino-Soviet relations early in the 1960s. The last Russian ship repaired in China was in 1964.

Bi said China will repair more Soviet ships this year under the governmental trade agreement between the two countries. Shipyards in the South are ready to deal with Soviet vessels.

Soviet shipowners were satisfied with repairing quality and service in China and said they would send more vessels to the country.

With four ocean-going transportation corporations and more than 600 ships sailing in the Far East, the Soviet fleets lack adequate repairing technology and facilities.

Bi attributed the industry's success to competitive prices, guaranteed quality, prompt delivery safety and excellent service.



The two Polish ships, which had been fishing along the Alaskan coast, sailed to the Beihai Dockyard in Shandong Province for maintenance because of its reasonable prices and good service. The ships used to be repaired in Canada.

The dockyard has recently won a bid to repair an Indian ship, which is expected to arrive soon.

With advanced technology and improved facilities, Chinese shipyards are re-equipping vessels as surveying, oil drilling and ferry ships for Chinese and foreign owners, which need more complicated technology, Bi said.

The Jiangnan Shipyard in Shanghai is refitting an ocean surveying ship to cover the launching of three U.S. satellites. The renovated ship will be the most advanced surveying vessel in China, Bi said.

China has 16 shipyards repairing ships. The CSSC has established more than 30 maintenance service stations with foreign firms to supply ship repairing parts and technology.

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## BRIEFS

CONTRACTS SIGNED--Beijing, 18 June (XINHUA)--China had signed 4,000 contracts worth more than US\$6.5 billion with some 100 countries and regions by the end of 1986, XINHUA learned at the on-going international advertising conference. In recent years, China has sent some 50,000 workers abroad, an official said, adding that they had earned US\$3.5 billion for the country by the end of last year. Also, China has recently signed agreements worth US\$5.9 billion to contract projects and offer labor services with countries in Asia, Africa, and Latin America. The projects cover industry, highways, bridges, irrigation schemes and power stations, as well as martial arts coaching. [Text]  
[Beijing XINHUA in English 0609 GMT 18 Jun 87 OW] /12913

FOREIGN EXCHANGE TRADE COUNCILS--Beijing (CEI)--Shenzhen, Shanghai, Xiamen and other financial centres where many foreign exchange transactions are done will soon establish foreign exchange trade councils under the control of local branches of the People's Bank of China. This was announced by the bank in its recent notice concerning the regulation of interest rates on foreign exchange deposits and credit. According to the notice, the councils will fix and coordinate their interest rates based on the relevant foreign exchange control regulations and financial policies of the State. The notice says that in the places where there are few financial institutions handling foreign exchange transactions, the interest rates for foreign exchange deposits and credit will be set with reference to the current rate fixed by the Bank of China. [Text]  
[Beijing XINHUA in English 0543 GMT 22 Jun 87 OW] /12913

COOPERATION WITH AUSTRALIA--Guangzhou (CEI)--South China's Guangdong Province will send technicians to help the Australian state of New South Wales breed pond fish and river shrimp, according to an agreement signed in Guangzhou, 29 May. In exchange, New South Wales will provide Guangdong technical assistance on banana storage, transport and freshness preservation, and help with a port expansion and subway project in Guangzhou, the provincial capital. The contract also says, the two parties agree to exchange seeds for wheat, rice, and other crops, and New South Wales will donate some cashmere and long-haired rams and bulls used to tropical climates, and will help Guangzhou expand 10 container berths at the city's Huangpu Port. An experimental cattle-breeding farm on Hainan Island, the two sides' first joint venture, has been quite successful, and two more farms have been started at Maba and Lechang in northern Guangdong. Guangdong and New South Wales established official sistership ties in 1979. [Text] [Beijing XINHUA in English 0544 GMT 15 Jun 87 OW] /12913

TARIFF RATES TO BE ADJUSTED--Beijing, 25 June (XINHUA)--Starting 1 July, China will begin readjustment of tariff rates on 12 types of imported goods, an official of the Customs Tariff Commission announced today. "The tax rates for six of the 12 kinds of commodities will be reduced as they are raw materials badly needed in China's industrial and agricultural production. The lowest tax rate for copper sulfate, meat bone powder and No. 66 salt will be cut to 20, 6, and 115 percent respectively. The rates on copper, lead and zinc wastes will also be reduced. Meanwhile, tax rates for commodities including marking sheets, mixed spices, electronic watches and parts, zippers, and color films will be increased. But the official did not reveal by how much. The readjusted tariff schedule has been sent to all customs offices, the official said. [Text] [Beijing XINHUA in English 1407 GMT 25 Jun 87 OW] /12913

CHINESE CONTRACTORS ACTIVE--Beijing (CEI)--China has contracted more projects in Asia and other regions ever since its market in the Middle East dwindled. Last year the country signed 845 construction and labor service projects totalling US\$1.35 billion, up 7.8 percent over 1985, according to statistics of the Chinese Ministry of Foreign Economic Relations and Trade. In Hong Kong and Macan alone, the total value of contracts signed by Chinese companies last year came to US\$254.84 million, up 173 percent over 1985. The number of projects contracted in Thailand, the Philippines, Pakistan, and Bangladesh also went up. In Africa, China signed contracts to build projects and provide labor services in 37 countries. The total contract value amounted to US\$480 million, up 82 percent over 1985. The value of contracts signed with Egypt, Libya and Algeria accounts for 62 percent of the total value of such contracts signed. Chinese contractors are also active in East European, North American and Latin American countries. [Text] [Beijing XINHUA in English 0614 GMT 24 Jun 87 OW] /12913

FOREIGN TRADE DEFICIT CUT--Beijing (CEI)--The deficit in China's foreign trade in May was 280.83 million U.S. dollars, a drop of 56.45 percent over April. In May, China's imports came to 3,327.81 million U.S. dollars and exports to 3,046.98 million U.S. dollars. China's imports in the first 5 months of this year were to 15.1777 billion U.S. dollars, a drop of 5.85 percent over the same period last year; while exports came to 13.19989 billion U.S. dollars, an increase of 24.32 percent. The trade deficit in the first 5 months of this year was 1.977 billion U.S. dollars, a drop of 64.05 percent when compared with the same period last year. [Text] [Beijing XINHUA in English 0538 GMT 17 Jun 87 OW] /8309

CSO: 4020/228

## SELECTED EXPERTS TO GET HIGHER PAY, BETTER HOUSING

OW290820 Beijing XINHUA in English 0745 GMT 29 Jun 87

[Text] Beijing, June 29 (XINHUA)--China has selected 6,075 young and middle-aged experts to enjoy priority in getting their pay raised and housing and medical care improved, the PEOPLE'S DAILY said today.

They were selected on account of their contributions to the country, the paper said in a front-page news report, adding that the youngest is 23 years old.

One is professor Zheng Anwei, 36, a mathematician whose achievements are recognised internationally, and another is engineer Cheng Baoquan in Huanggang, Hubei Province, who has made a breakthrough in quality control theories.

Over 90 percent of the 6,075 are winners of state, ministerial or provincial prizes for scientific advances. Some 1,341 of them have been selected by the State Science and Technology Commission since 1984, and the rest, by ministries and provinces.

A commentary accompanying the news report describes the move as a step to implement the policy of protecting and encouraging intellectual initiative.

It breaks away with the traditional "big pot" practice--a system under which every one in a work unit has the same salary and fringe benefits in disregard of work performance.

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CSO: 4020/228

## CENTRAL-SOUTH REGION TO EXPAND, BUILD AIRPORTS

OW200920 Beijing XINHUA in English 0805 GMT 20 Jun 87

[Text] Beijing, 20 Jun (XINHUA)--To meet the demands of rapid development of tourism and the economy, the Guangzhou Regional Administration of Civil Aviation Administration of China plans to build or expand 14 airports, today's overseas edition of the PEOPLE'S DAILY reported.

"All the airports will be built or expanded to handle big airplanes of the size of the Boeing 737," said an official from the administration, adding that the airports will be located in tourist areas and coastal cities under its jurisdiction in the provinces of Guangdong, Guangxi, Hunan, Hubei and Henan.

The runway of the Meixian airport in Guangdong has been finished and it is expected to open in October; the Luoyang airport in Henan Province will be in use during the first half of next year.

Huanghua and Dayong airports in Hunan Province, and Xiangfan and Tianhe airports in Hubei Province will open in 1989, said the official.

The Baiyun airport in Guangzhou, the country's top air passenger transporter, will be expanded by nearly 10,000 square meters when its domestic departure terminal is completed. Meanwhile, an international departure terminal and a hotel will also be built with a total investment of 60 million yuan this year.

The Guilin airport in Guangxi Province will expand its runway by 2,600 meters and build a new passenger terminal with a total floor space of 20,000 square meters for completion in 1989. The Haikou airport on Guangdong's Hainan Island has finished the expansion of its runway.

Zhuhai, Shenzhen, Sanya and Wuhan cities are preparing to build new airports.

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CSO: 4020/230

## COUNTRY INCREASING REPAIRS ON FOREIGN VESSELS

OW200150 Beijing XINHUA in English 0132 GMT 20 Jun 87

[Text] Beijing, June 20 (XINHUA)--Chinese shipyards are repairing more foreign vessels amid fierce competition in the world shipbuilding market, today's CHINA DAILY reported.

"The country had repaired 132 vessels for shipowners in more than 20 countries and regions, including Britain, West Germany, Norway, Singapore and Greece," reported the China State Shipbuilding Corporation (CSSC).

Bi Yueran, managing director of the corporation's ship repairing department, said two Soviet ships last month left the Dalian shipyard in Liaoning Province and the Xingang shipyard in the city of Tianjin after being repaired for 28 and 13 days respectively.

The ships, one of 10,000 deadweight tons and another a bit smaller, were the first orders the Soviet Union has given to China after the deterioration of Sino-Soviet relations early in the 1960s. The last Soviet ship repaired in China was in 1964.

Bi said China will repair more Soviet ships this year under the governmental trade agreement between the two countries. Shipyards in the south are ready to deal with Soviet vessels.

Soviet shipowners were satisfied with repairing quality and service in China and said they would send more vessels to the country, according to the director.

With four ocean-going transportation corporations and more than 600 ships sailing in the Far East, the Soviet fleets lack adequate repairing technology and facilities.

The Jiangnan shipyard in Shanghai is refitting an ocean surveying ship to cover the launching of three U.S. satellites. The renovated ship will be the most advanced surveying vessel in China, Bi said.

China is now repairing two deep-sea vessels for Poland. It has delivered two ships to the German Democratic Republic and one to Hungary.

The two Polish ships, which had been fishing along the Alaskan coast, sailed to the Beihai dockyard in Shandong Province for maintenance because of its reasonable prices, guaranteed quality, prompt delivery, safety and excellent service.

With advanced technology and improved facilities, Chinese shipyards are re-equipping vessels as surveying, oil drilling and ferry ships for Chinese and foreign owners, which need more complicated technology, Bi said.

China has 16 shipyards repairing ships. The CSSC has established more than 30 maintenance service stations with foreign firms to supply ship repairing parts and technology.

The country has also repaired 44 ships for Chinese owners in the first five months of this year, by which time the ship repairing industry fulfilled 53 percent of this year's plan, according to a report by the CHINA DAILY.

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CSO: 4020/225

## BRIEFS

NANJING PORT ACTIVITIES--Beijing (CEI)--The Nanjing port has handled 38.905 million tons of commodities since it was opened to the public a year ago. With the opening of the port, the cost of import and export commodities has fallen on the middle and lower reaches of the Yangtze River. Last year, ship owners, owners of cargoes and local foreign trade departments made total profits of 10 million yuan from transactions through the Nanjing port. The Nanjing port is China's biggest inland river port with 39 wharfs. Among them are 12 big ones which can accommodate 24 ships each with a displacement of 10,000 tons at the same time. [Text] [Beijing XINNUA in English 0638 GMT 17 Jun 87] /9604

NINGBO HARBOR EXPANSION--Beijing (CEI)--In order to take fuller advantage of the capacity of Ningbo harbor and lighten the pressure on Shanghai harbor, the Ministry of Communications has decided to break the voyage of imported ore from Australia to the Wuhan Iron and Steel Company at Ningbo harbor. The expansion of Ningbo harbor is one of China's key construction projects. Eight berths have been put into use, among which are three capable of handling ships of up to 30,000-dwt and a coal dock capable of handling 10,000-dwt ships. [Text] [Beijing XINHUA in English 0640 GMT 17 Jun 87] /9604

U.S.-PRC PRODUCED PLANE COMPLETED--Shanghai (CEI)--The inaugural flight of an "MD-82" plane, the first co-produced by the Shanghai Aviation Industrial Corporation and the U.S. McDonnell Douglas Company, is scheduled for 3 July. After the ceremony, the plane will be delivered to the Shenyang Aviation Bureau to begin service on 31 July. Joseph A. Benko, manufacturing director of McDonnell Douglas China Technical Service, Inc., said, "The plane is of high and top quality" and up to the standards of similar planes produced in Long Beach. According to Benko, two representatives from the Federal Aviation Administration (FAA) in Shanghai supervised the project and will award the plane a flight certificate. According to the contract signed by the two companies in April 1985, 25 "MD-82" planes will be manufactured by 1991 for Chinese buyers, and a training center for pilots and engineers will open in 1988. [Text] [Beijing XINHUA in English 0550 GMT 22 Jun 87] /9604



NATIONAL RAILWAYS REPORTEDLY 'OVERLOADED'--Beijing, June 19 (XINHUA)--Meetings convening in China's larger cities are causing a burden to the country's railway lines, today's PEOPLE'S DAILY reported. According to a report issued by the Railway Ministry, "most meetings require transporting at least several thousand participants, and for some as many as 20,000 or 30,000." Meetings are blamed as a key cause of the huge passenger load on China's railways, which have been running over capacity for some time. Passenger trains on major lines between Beijing and Shanghai, Beijing and Guangzhou, and Lanzhou and Lianyungang port are overloaded by 30 to 50 percent. "With the summer tourist season coming on, the country's railways have even more people to carry," the paper said. In a bid to ease the strain in the eastern and southern parts of the country, the Economic Commission is urging meetings be cut to a minimum. The commission has also suggested meetings not be scheduled in hotels or near tourist spots. [Text] [Beijing XINHUA in English 0606 GMT 19 Jun 87] /6662

CSO: 4020/225

INVESTIGATION UNDERWAY INTO DESTRUCTION OF IMPORTED WHEAT

HK260306 Beijing CHINA DAILY in English 26 Jun 87 p 1

[Article by staff reporter Chen Guanfeng]

[Text] The people who caused the destruction of 350,000 kilogrammes of imported wheat at a Shaanxi railway station will be severely punished, a Ministry of Railway spokesman said yesterday.

Railway Minister Ding Guangeng, sent investigators to Xi'an Railway Station in Shaanxi Province to investigate the destruction.

Gao Baoan, director of the ministry's general office, told CHINA DAILY in an interview: "It is intolerable that such a thing should happen at a time when we are launching a campaign to promote production and reduce expenditures."

Gao said the destruction occurred in late May, but his ministry found out about it only yesterday, when PEOPLE'S DAILY reported it.

According to the report, the destruction occurred at the Eastern Station of the Xi'an Railway Station between May 23 to 26.

The imported wheat arrived at the station in three loads on May 23, 25 and 26 and was left there without proper protection against the rain that fell during those days, the paper reported.

When the wheat importer went to the station on May 24 to pick up the first batch, the gatekeeper of the station wouldn't let them in because it was Sunday and no business was allowed on that day.

It also rained on May 26, but a railway cargo supervisor refused to listen to petitions about the importer, a flour mill, and ordered the mill's workers to unload the freight cars which still held wheat. When the workers refused to obey him, the supervisor called in more than 40 temporary workers to enforce his order.

As a result, all 350,000 kilogrammes of imported wheat was ruined, PEOPLE'S DAILY reported.

## OFFICIAL CALLS FOR STRICTER CONTROL OF FARMLAND

OW201447 Beijing XINHUA in English 1414 GMT 20 Jun 87

[Text] Beijing, 20 Jun (XINHUA)--A high-ranking official from the State Land Administration said today that strict controls are needed to maintain China's dwindling supply of farmland.

Addressing a press conference held here today to mark the anniversary of "China's Law on Land Administration," Wang Xianjin, director of the State Land Administration, said from 1980 to 1986, China lost more than 500,000 hectares of farmland a year.

He noted that 75 percent of the loss is due to changes in agricultural production in the countryside such as the switch from crops to fish feeding ponds and orchards. Twenty-five percent was lost to non-agricultural construction which includes apartment buildings and factory workshops. He said the problems are serious and could get worse if nothing is done.

According to the state's development plan, the total output of grain will reach 500 million tons by the year 2000, yet projections show that 12 million hectares of farmland will be lost even with strict control of farmland.

As the population grows to 1.25 billion by end of the century, he said, the amount of farmland for every person will decrease so, he said, strict controls must be placed on farmland.

He said that more regulations relating to the law on land administration should be worked out and unlawful use of farmland must be stopped.

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CSO: 4020/223

## SCIENTISTS CONTRACT FARMLAND TO BOOST OUTPUT

OW261248 Beijing XINHUA in English 1138 GMT 26 Jun 87

[Text] Lanzhou, June 26 (XINHUA)--Chinese agricultural scientists have contracted 45 percent of the farmland in northwest China's Gansu Province to boost grain output, a local official said today.

They will spread new techniques suitable for dry, hilly and cold areas, terraced and low-yielding fields, and improving the potato crop.

The contracted fields sown to grain crops cover 1.56 million hectares.

Scientists from the province's agricultural science academy have spread a new technique on 67,000 hectares of spring wheat fields along the cold northern foot of the Qilian mountains over the past three years. As a result, they reaped an additional output of 330,000 tons.

A group of specialists from other parts of China said that their methods might turn the Gansu corridor into a high-yielding zone of spring wheat in China.

In the dry northwestern part, which accounts for one-third of the province's land mass, scientists spread seed selection and new plowing, soil moisture preservation and fertilization application methods for better use of rainfall in the rainy season. The wheat output on 133,000 hectares averaged 2.25 tons last year, compared with 0.9 tons before.

Now, almost 10,000 scientists and skilled peasants have taken part in the new practices and the contracted fields have expanded from merely agriculture to forestry, animal husbandry, fisheries, water conservancy and wasteland reclamation.

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CSO: 4020/226

## PRC FACES CHEMICAL FERTILIZER SHORTAGE

OW200912 Beijing XINHUA in English 0606 GMT 20 Jun 87

[Text] Beijing, 20 Jun (XINHUA)--China decided to increase this year's chemical fertilizer production by 1.5 million tons, the Ministry of Chemical Industry announced here today.

The original plan set for chemical fertilizer production this year was 73.5 million tons, which itself was 1.5 million tons more than the 1986 figure, and when the revised target is hit, the 1987 output will reach 75 million, 7.8 million tons more than in 1986.

Statistics show that China produced 32.61 million tons of chemical fertilizer in the first 5 months this year.

To ensure adequate food for a population of more than 1 billion, China has to boost its farm production by way of raising the per unit yield, and this calls for more chemical fertilizer, said state councillor Zhang Jingfu at a recent national meeting in the east China province of Shandong.

However, the country's chemical fertilizer production capacity at present is just 80 million tons a year, and the country has to import some fertilizer every year to make up for the domestic demand.

China is planning several large chemical fertilizer plants and the local governments have taken measures to help the locally-run chemical plants in their production, according to the Chinese Ministry of Chemical Industry.

China now has a total of 1,900 large, medium-sized, and small chemical fertilizer plants, including the 13 imported large ones for producing synthetic ammonia and urea.

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CSO: 4020/223

## JIANGSU INCREASES FERTILIZER PRICES

Nanjing XINHUA RIBAO in Chinese 6 May 87 p 1

[Article by Shu Nongzhi [5289 6593 1807]: "Higher Prices Spreading for Agricultural Fertilizers"]

[Text] According to surveys, with the exception of some fertilizers distributed according to provincial plans, amounting to about one-fourth the total supply, prices for chemical fertilizers supplied outside the plans in this province have risen everywhere in Jiangsu since the start of the year, and they have been rising steadily. Peasants are critical of this, saying that the state has just readjusted grain and cotton purchase prices, which is good, but are also practicing "extortion" in raising fertilizer prices.

Statistical data presented at the conference for the exchange of information on farm supply prices called recently by the Jiangsu Agricultural Supplies Corp. showed that the sale price of ammonium carbonate produced and supplied within the plans is averaging about 200 yuan per ton, an increase of over 10 percent over the same period last year. That supplied outside the plans but within the supply system is being sold generally for around 220 yuan and as much as 236 yuan; that sold through other channels is going for a maximum of 260 yuan. The sale price of urea is generally 730 per ton within the supply system, a 30 percent increase over the price of that supplied within the provincial plans, and this reaches a maximum of 800 yuan; urea is being sold through other channels for as much as 1060 yuan. The prices of phosphate and complex fertilizers are also clearly rising. It is worth noting that this tendency towards higher fertilizer prices is still spreading.

The steady increase in fertilizer prices has directly raised peasant expenditures and increased their costs. Applying one kilo of ammonium carbonate, for example, will generally make it possible to increase grain production by 1.5 kilos; if it is supplied at the price of that produced within the plans, adding one kilo of grain production will cost 0.13 yuan. If one kilo of urea is applied, grain production will generally increase by 5 kilos; at the ordinary price for urea supplied outside the plans, increasing grain production by one kilo will cost 0.17 yuan. Figuring in other production costs, it is clear that increasing production makes it difficult to increase income, and in some cases income does not meet expenditure.

For this reason, the leadership of all regions and of the concerned departments should pay close attention to this problem and concentrate on adopting the necessary measures: 1) They should establish a stringent system for examination and approval of prices for fertilizers produced and supplied within the plans, in accordance with their authority to do so. They should prevent the pricing of fertilizers without regard for the peasants' interests. They should reorganize current fertilizer prices and lower those that are too high. Producers and dealers must strictly adhere to the ex works and sale prices set; the selling of parity fertilizer within the plans at negotiated prices outside the plans should be strictly prohibited, and violators must be severely punished according to law. 2) A reasonable maximum price should be set for fertilizer produced outside the plans and supplied through the organized system according to the type of fertilizer and the degree of its acceptance by the peasants; this price should not be too high, and it must be strictly enforced, regardless of the sales channel. The supply of fertilizers outside the plans should also be stressed, and the principle of reducing the number of links in the supply system should be followed so as to prevent and rectify the vicious cycle of "more links and higher prices at each level" that is found for fertilizer outside the plans in some areas, so that market prices for fertilizer will be relatively stable. 2) Control of the fertilizer market must be realistically strengthened. Skimming, speculating, and illegal buying and reselling should be prohibited. There are now some units and even individuals serving as "go-betweens" who frequently charge a so-called "information fee," speculating in fertilizers and raising the price among themselves in order to jack up fertilizer prices. These crooks and violators who cheat the peasants and harm people with their "fertilizer supplies" should be exposed and stopped; their responsibility must be assessed in light of their actions.

13322

CSO: 4006/674

## BUMPER HARVEST PLAN GOING SMOOTHLY

OW192232 Beijing XINHUA in English 1331 GMT 19 Jun 87

[Text] Beijing, 19 Jun (XINHUA)--This year's 19 key projects of the "Bumper Harvest Plan" concerning China's agriculture, animal husbandry, and fisheries are going smoothly.

Yao Xiqu, an official at the Ministry of Agriculture, Animal Husbandry, and Fisheries said today that statistics show that 125 agricultural research institutes all over the country have undertaken tasks required by more than 1,000 contracts. The tasks cover eight major aspects, such as rice, corn, beans, cotton, vegetables, livestock, and aquatic products.

If the goals set by the projects are reached, Yao said, China expects an increase of grain by 1.6 billion kilograms, ginned cotton by 35 million kilograms, milk by [figure indistinct], that of fish by 7.2 kilograms, and that of livestock by 12 million kilograms.

China adopted the "Bumper Harvest Plan" to quicken the agricultural modernization and spread the achievements in scientific research and advanced techniques into agricultural production.

The plan demands that China's grain output reach 500 billion kilograms by the year 2000.

The plan, Yao said, is coordinated with the building of production bases of commodity grain and high-quality agricultural products. More than 300 counties in which the bases are located are rich in natural resources and advanced in production.

After starting on the plan at the beginning of the year, the whole nation has been active in cooperation. Provinces like Jiangsu and Zhejiang have invested 560 million yuan in the spreading of agricultural science and technology. Jiangxi and Fujian Provinces have imported large amounts of chemical fertilizer and plastic sheeting.

At the same time, provinces, regions, and cities have mobilized 38 million people to accomplish 27,000 large-scale agricultural construction projects and earmarked 530,000 hectares of land for planting summer grain.

The departments concerned are allocating funds and supplying the necessary production materials, according to local reports, Yao said.



## VEGETABLE PRODUCTION REFORMS IMPROVE SUPPLY

OW200554 Beijing XINHUA in English 0530 GMT 20 Jun 87

[Text] Guangzhou, 20 Jun (XINHUA)--China's urban residents are complaining less about the supply of vegetables with the implementation of a series of reforms in vegetable production and marketing, according to a national meeting here today.

The State Statistics Bureau said that in 1986 about 66,000 more hectares were planted to vegetables, bringing the total number of hectares to 790,000. Total vegetable output reached 23.08 million tons, 16.9 percent higher than in 1985. Some cities including Nanjing, Harbin, and Guiyang witnessed more than a 50 percent increase in the supply of vegetables.

The new system has broken the state monopoly on purchasing and marketing of vegetables. In the past, the government used to tell peasants which and how many vegetables they should plant.

Now they can grow whatever they like and can either sell their vegetables on wholesale markets, to state owned shops, or to consumers directly.

Private vegetable dealers have also appeared along many streets and side lanes which have promoted the circulation of vegetables.

Over the past few years, the government has loosened price controls and peasants are allowed to sell their vegetables according to market demand.

Peasants have become more interested in vegetable growing because they can get better prices for these products.

Even in slack seasons, residents have more freedom to choose the best quality and variety of vegetables and even when they go shopping. "This makes peasants more sensitive to market changes and the quality of their vegetables," an official from the meeting said.

According to statistics, each urban resident consumed 197 kilograms of vegetables on average in 1986, 27 kilograms more than the previous year.

In most cities, peasant markets supplied more than half of the vegetables consumed. The ratio is as high as two-thirds in southern cities such as Guangzhou, Wuhan, and Chongqing, according to the meeting.

Under fierce market competition, state run vegetable companies began to shift their focus to the wholesale business and helping to settle problems of surplus.

Now regional vegetable exchanges have also been promoted, which give residents an even wider choice of vegetables.

To protect the interests of consumers, the government is offering financial subsidies during slack season to check excessive price increases. Price supervision has also been enhanced, the official said.

"Now we have a new system, in which the government acts to adjust the relationship between vegetable producers, dealers, and consumers," he said.

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CSO: 4020/223

## BARLEY OUTPUT TO INCREASE

Beijing ZHONGGUO SHANGYE BAO in Chinese 23 Apr 87 p 3

[Article by Wang Ziming [3769 5261 6900]: "In recent years China's barley production has not kept up with the demands of rapidly increasing beer production, which has created a tight barley market and rising prices. It is forecast that this year's barley output will ease the shortage.

According to preliminary statistics from two producing provinces, Jiangsu and Zhejiang, this year around 13 million mu has been planted in barley, an increase of 3 million mu and exceeding the area sown in 1984 the year of the bumper harvest. Barley is now showing normal growth, and if there are no major natural disasters, this year's total output can be expected to reach 3 billion kilos, an increase of 20 or 30 percent over last year.

After the new barley gets to the market, the tight market situation will tend to ease, and prices will drop slightly while remaining generally stable. According to a survey of the industrial sector, last year the national beer production broke through the 4 million ton mark, and this year it will reach about 5 million tons. Given beer production capacity, more than 2 billion additional kilos of barley will have to be consumed. As the quality of the barley produced in Jiangsu and Zhejiang is quite good, more than 70 percent is suitable for use in beer. In addition, some areas are importing more barley this year, and the area planted in those regions where it is sold is also increasing, so that the demand for beer barley can be met.

It is worth noting that in recent years too many malt plants have sprung up in barley-growing regions; in Zhejiang alone there are more than 100, consuming approximately 400 to 500 million kilos. Many small-scale malt plants have poor technology and equipment and produce a poor-quality product; not only do they compete with the large breweries for supplies, but they also impact the quality of the beer produced. It is forecast that sales of poor-quality, high-priced malt will stagnate this year.

13322

CSO: 4006/674

# AGRICULTURE

## 1986 INVESTMENT IN WATER CONSERVANCY PROJECTS REPORTED

Beijing ZHONGGUO SHUILI [WATER CONSERVANCY] in Chinese No 5, 15 May 87 p 29

[Text]

AREA	1985	1986		LOCAL INVESTMENT	
		TOTAL	IN THE BUDGET	1985	1986
Total	201,580	228,702	167,022	140,696	168,342
Beijing	8,453	5,599	4,755	4,903	2,925
Tianjin	2,760	3,720	1,835	1,593	2,170
Hebei	12,970	6,571	6,184	2,844	3,708
Shanxi	4,499	5,546	2,546	4,304	5,297
Nei Monggol	2,615	2,807	1,410	2,568	2,655
Liaoning	6,773	15,297	5,674	6,728	15,197
Jilin	4,257	5,989	5,066	3,968	5,600
Heilongjiang	5,428	6,798	4,206	3,838	4,688
Shanghai	2,021	2,530	2,393	1,346	1,535
Jiangsu	5,990	5,898	4,995	3,003	3,570
Zhejiang	6,080	5,942	3,553	5,030	4,826
Anhui	11,678	13,233	9,955	4,804	6,215
Fujian	7,387	7,790	2,907	7,382	7,785
Jiangxi	4,134	7,000	5,025	3,342	5,478
Shandong	8,953	19,333	16,905	3,376	13,586
Henan	16,808	20,792	19,215	4,925	6,576
Hubei	13,899	15,903	11,049	9,216	9,032
Hunan	6,352	8,069	5,597	5,332	5,242
Guangdong	12,914	11,432	8,484	5,982	5,997
Guangxi	5,350	3,528	3,280	5,350	3,488
Sichuan	11,627	11,317	9,619	11,395	10,934
Guizhou	5,354	5,783	4,185	5,554	5,748
Yunnan	4,339	4,638	3,400	4,339	4,608
Xizang	-	-	-	-	-
Shaanxi	5,145	4,549	4,494	4,210	5,211
Gansu	11,512	13,866	10,381	11,482	13,836
Qinghai	2,916	2,655	1,751	2,846	2,580
Hingxia	4,119	3,907	2,625	4,119	3,907
Xinjiang	7,247	8,210	5,533	7,117	7,950

CSO: 4006/789

## FUJIAN'S APPLICATION OF WORLD BANK LOANS

Fuzhou FUJIAN RIBAO in Chinese 22 Apr 87 p 1

[Article by Weng Xinhui [5040 2450 6540]: "Fujian Agricultural Bank Achieves Success in Using World Bank Loans to Develop Fruit, Aquaculture, and Animal Husbandry; Prawn and Laying Hen Projects Go from Construction to Production in Same Year; World Bank Official Believes These Projects Among Most Successful Chinese Investments"]

[Text] The Fujian branch of the Agricultural Bank of China is enthusiastically using World Bank project loans and has achieved noteworthy success in doing so. According to statistics, from the time the agreement between China and the World Bank on the second rural credit project took effect until the end of March this year, the Fujian Agricultural Bank had issued 130 million yuan in loans, accounting for 48 percent of total planned loans in those five years.

The World Bank rural credit project loans handled by the Fujian Agricultural Bank last year were focused on developing aquaculture, fruit, animal husbandry, and complete processing. As of the end of March, 1,041 project appraisals had been done in the province, with 836 of those approved and implemented, the approved loans totaling 244 million yuan. At the same time, loans were issued on time according to the actual needs of the project's progress, in order to meet the need for funds of projects getting started and going into production. The province now has 72,000 mu of field plantings of famous types of fruit trees; 48,000 mu of shrimp and fish ponds; 1,800 mu of Pacific oyster beds; and the Fuzhou laying hen production system is now basically finished, with 90,000 laying hens in inventory.

In the process of implementing these projects, the province's agricultural banks at all levels strictly follow World Bank requirements, becoming thoroughly familiar with the local situation and conscientiously surveying and selecting, examining and appraising, and doing financial analyses and benefits forecasts project by project so as to strengthen project control and monitoring, so that all projects that go into production are able to achieve good economic returns. In such counties as Fuqing, Lianjiang, Zhangpu, and Fuding, the large areas devoted to prawn culture are reaping abundant harvests, with output value per mu generally over 1200 yuan and average net income reaching 500 to 700 yuan. Zhangpu and Fuqing counties both have several

dozen households using World Bank loans to raise prawns which this year will have net incomes of 10,000 yuan per household. Because of the good economic returns, some specialized-culture households are taking the initiative in repaying their loans early, accelerating funds turnover. The 200,000-laying-hen project in Fuzhou was estimated by the World Bank appraisal team to require at least three years before it could go into production. In less than one year it was producing 90,000 hens, and this year it will go into full production, at which time it will be sending as many as 10,000 kilos of eggs to market every day, basically meeting egg demand in Fuzhou.

It has been learned that when Mr. Lin Zhonggeng [2651 6850 1649], the World Bank's chief representative in China, and Mr. Qiu Ruiyu [6726 3843 5940], the World Bank official responsible for East Asia and the Pacific and head of the appraisal team for China's second rural credit loan project, came to Fuzhou on an inspection tour, they expressed their approval of Fujian's prawn and laying hen projects' being able to get under way, complete capital construction, go into production, and yield benefits all in one year, and of the capacity of the Fujian Agricultural Bank to handle World Bank loan projects, stating that Fujian's rural credit project is one of the most successful investments the World Bank has made in China.

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CSO: 4006/674

## FAMILY-RUN FARMS IMPROVE MANAGEMENT, RAISE OUTPUT

OW291104 Beijing XINHUA in English 1054 GMT 29 Jun 87

[Text] Beijing, June 29 (XINHUA)--Each laborer on China's 920,000 family-run farms earns an annual net income of 1,200-1,300 yuan, some 300 yuan more than four years ago, as a result of improvement of their management.

Over the past few years, China's family-run farms have restructured their management in the light of their owners' capabilities and brought more farmland under the cultivation of able farmers.

After outstanding farmers got more land, 960 family farms in the Shengli area in the Inner Mongolia Autonomous Region produced 17.5 million kilograms of grain last year, averaging 7,500 kilograms per head, and 27 of the farms produced 50,000 kilograms of grain annually.

Family farms took shape in 1983 when China's farm workers were allowed to contract land from state farms to start family farms under an initiative-based system. Responsible for their own losses and profits, the family farms can keep what they produce after paying taxes and a management fee to the state farms.

More and more family farms now can supply their own funds and become profitable. Either run by individual families or jointly run by several households, more than 80 percent of the family farms in Heilongjiang Province are profitable since many forms of contracting were introduced two years ago.

To stimulate the initiative of the farmers, the state farms in Guangdong Province have made the contract period longer for the families who tend rubber trees. As a result, many family farms operate with their own funds.

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CSO: 4020/226

## XINHUA ON DEVELOPMENT OF DEEP-SEA FISHING INDUSTRY

OW260945 Beijing XINHUA in English 0552 GMT 26 Jun 87

[Text] Beijing, June 26 (XINHUA)--China's deep-sea fishing industry is spreading its nets further afield since it launched the country's first deep-sea fleet two years ago, CHINA DAILY reports today.

The English paper quotes Zhang Yanxi, general manager of the China United Corporation of Aquatic Products, as saying that China now has more than 60 trawlers fishing in foreign waters.

By the end of this year, the number id expected to grow to 100. Their total catch is expected to reach 60,000 tons this year, Zhang said.

Since the country's first deep-sea fleet sailed to the waters off North Africa in 1985, boats from 11 corporations have been fishing in the territorial waters of the United States, Iran, Mauritius, Gabon, Sierra Leone, Senegal, Guinea, Guinea-Bissau and Gambia.

These boats have netted 41,000 tons of fish, of which 7,000 tons have been supplied to Chinese cities including Beijing, Zhang said.

Statistics show that China has started or it negotiating cooperative fishing projects with more than 50 countries. It has set up 13 Chinese enterprises, as well as joint ventures, and cooperative businesses abroad.

With a long experience and using advanced technology, China is now cooperating with Australia and New Zealand in a prawn breeding project. China is providing young prawns and breeding technology and the other two, land and funds.

While continuing cooperative efforts with foreign countries in fishing projects in the next few years, China will set up four service centers in North Africa, North America, the Southwest Pacific and South America.

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CSO: 4020/226



## INSECT PESTS DAMAGE FORESTS

OW240522 Beijing XINHUA in English 1407 GMT 23 Jun 87

[Text] Beijing, 23 Jun (XINHUA)--Insect pests cause as much damage to China's timber industry as a big forest fire like the one in Heilongjiang, "CHINA DAILY" said today.

Every year, the country loses an estimated 11.49 million cubic meters of mature and future timber with a total worth of some 350 million yuan from four major commercial tree species because of pests that eat leaves or bore through branches and stunt their growth.

The pests are called "smokeless fire disasters" because they damage forests just like fires do, the report said.

It said 3.7 million cubic meters of pine timber are lost annually because of pine moths that affect 2.7 million hectares of pine forests in China.

In the Wuyi mountains, Fujian Province, pine moths have infested 5,300 hectares of pine forest. Some trees withered and died. The venomous hairs of the moths are also annoying tourists in the scenic area, the report said.

In Yunnan Province bark beetles are plaguing Yunnan pines in several counties. To prevent the pest from spreading, the Kunming area is expected to cut down 18,000 hectares of affected trees in 1 or 2 years.

The report said China has more than 5.3 million hectares of poplar. But 5.76 million cubic meters of timber is lost each year because 40 percent is plagued by insects.

Elms mainly grow in Shandong, Henan, Hebei, Shanxi Provinces, and Tianjin. Nearly 200 million such trees are affected by insects each year, and the timber loss totals about a million cubic meters.

China has 1.3 million hectares of paulownia, with more than 600 million of the trees cultivated in north China's central plains. But a survey shows 30 to 80 percent of paulownia has been affected by witches' broom, an abnormal growth of small branches caused by viruses. This means a loss of 1.04 million cubic meters of paulownia each year because at least 200 million paulownia trees have the disease.

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CSO: 4020/223

## AGRICULTURAL SOCIETY MAKING CONTRIBUTIONS

OW191958 Beijing XINHUA in English 1228 GMT 19 Jun 87

[Text] Beijing, 19 Jun (XINHUA)--The Chinese Association of Agricultural Science Societies (CAASS) has made contributions to Chinese agriculture in recent years.

In light of the needs of China's agriculture, CAASS has organized nine large-scale seminars and investigations on the strategy of regional agricultural development. It has put forward about 400 valuable suggestions so far.

CAASS has also done a lot of work on the popularization of science. In the past 8 years, it had edited 37 sets of popular science books, and made 9,260 slides and films to publicize knowledge of agronomy.

CAASS also pays attention to the training of personnel. It has opened 106 classes in agricultural science and trained 5,100 professional people.

CAASS boasts a tradition dating back to a similar organization founded by Doctor Sun Yatsen in 1917. At present, there are CAASS organizations in every province in China, with a membership of over 40,000 people.

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CSO: 4020/223

## BRIEFS

RESEARCH TO IMPROVE CROP VARIETIES--Beijing, June 26 (XINHUA)--China plans to boost coordinated scientific research to improve varieties of crops by the end of the century, in a bid to promote agricultural production. "Work will focus on breeding and popularizing varieties of cereals, oil-bearing crops and cotton, which are resistant to drought, low temperatures, wind, salt, diseases and insect pests," said officials from the State Planning Commission and the Ministry of Agriculture, Animal Husbandry and Fisheries. Meanwhile, varieties of crops will be bred for major crop-producing regions in China, according to the officials. Crop varieties rich in nutrients such as protein and lysine will be developed, and quality varieties will also be bred for popularization. "Research will also be made in improving varieties of hemp, tea, tobacco, vegetables and fruit," officials said. To meet these goals, more breeding centers will be built to form networks, officials said, adding that sophisticated breeding technology will be developed. [Text] [Beijing XINHUA in English 1215 GMT 26 Jun 87 OW] /6662

YUNNAN SUGAR PURCHASES, OUTPUT--As of 20 May, Yunnan Province had purchased 487,000 tons of sugar, exceeding the annual plan by 8.7 percent. Sugar output this year was 546,000 tons, an increase of more than 70,000 tons over 1986. By the middle of May, 213,000 tons of sugar were shipped to other provinces, accounting for 75 percent of the plan. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 5 Jun 87 p 1]

YUNNAN FERTILIZER OUTPUT--From January to May, Yunnan Province produced 1,300,000 tons of chemical fertilizer, an increase of 30,000 tons over the same period in 1986, and exceeded the provincial government's plan of 1,250,000 tons. [Excerpt] [Kunming YUNNAN RIBAO in Chinese 6 Jun 87 p 1]

YUNNAN FERTILIZER SALES--From January to April, Yunnan Province sold 1,048,800 tons of chemical fertilizer, a 30 percent increase over the same period in 1986. On average, 24.7 kilograms of chemical fertilizer were supplied for each mu, an increase of 5.7 kilograms over the same period in 1986. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 8 Jun 87 p 1]

QINGHAI RURAL SAVINGS--In the first quarter of 1987, rural savings in agricultural banks in Qinghai Province were 214,750,000 yuan, an increase of 2,030,000 yuan over the same period in 1986. Per capita savings were 76 yuan. [Text] [Xining QINGHAI RIBAO in Chinese 17 May 87 p 1]

SEAFOOD OUTPUT INCREASES--Beijing, 19 Jun (XINHUA)--China's major seafood producers increased output by 19 percent to hit 1.395 million tons during the first quarter of this year. According to statistics released by the Ministry of Agriculture, Animal Husbandry, and Fisheries, marine fisheries caught 688,000 tons and hatched 8.8 tons, while freshwater fisheries produced 619,000 tons. These figures represent increases of 41, 8, and 51 percent of the national totals. The ministry explained, output increases can be attributed to better yields by the country's hatcheries, with marine and freshwater output jumping 25 and 22 percent respectively. Marine fisheries also increased their catch by 15 percent over the same period. [Text] [Beijing XINHUA in English 0609 GMT 19 Jun 87] /9599

SCIENTISTS EXPAND SEED VARIETIES--Beijing, 19 Jun (XINHUA)--Chinese scientists have expanded the country's inventory of seeds of 60 major crops to 800,000 varieties over the past 5 years, making China one of the leading countries in this field. Speaking at a press conference here today, Xiang Chongyang, vice minister of agriculture, animal husbandry, and fisheries, disclosed that China has recently built two national seed banks, among the largest of its kind in the world. China has also set up a dozen seed gardens for fruit and perennial plants. China's rich seed resources have aroused international interest. Over 80 countries and international agencies have established exchange programs on seed resources and information with China. In order to promote further international cooperation China is planning to set up seed breeding and quarantine stations. [Text] [Beijing XINHUA in English 1502 GMT 19 Jun 87] /9599

CSO: 4020/223

TRAINING, EQUIPMENT OF GROUND FORCE RESERVE DIVISION

Guangzhou MINBING SHENGHUO in Chinese No 2, 5 Feb 87 pp 2-4

[Article by staff reporter Zhong Xinhai [6988 0207 3189] and staff correspondents Yu Guangyin [0060 1684 0603] and Yang Yi [2799 0001]: "A New Military Force Suddenly Appears, Its Soldiers Are Strong and Robust--Information on the Xiangfan Ground Force Reserve Division"]

[Excerpts] Early winter last year.

At an old battlefield site along the middle reaches of the Hanshui River there appeared strange armymen wearing the "five-point star cap insignia and the all-red collar insignia" uniform, a uniform that the Liberation Army has abolished. In the Drum Tower Market on the busy streets in the center of Xiangyang City there were two youths wearing the old-style army uniform. Embarrassed by the odd looks the bustling shoppers gave them, they hastily "fled."

Were they Liberation Army men? Yes or no? The Chinese PLA Xiangfan Ground Force Reserve Division wrote checks on a revolving account, checks printed with its full name and seal, but the checks were not good enough for highly alert bank workers, who considered them a "swindle"!

After a few days Zhang Wannian [1728 5502 1628], deputy commander of the Guangzhou Military Region, facing a southing and sighing cold wind, led the principal leaders of the relevant departments of the military region's headquarters, political, and logistics organizations, all provincial military districts, all reserve divisions and regiments, and county (city) people's armed forces departments of 14 formed reserve regiments--totalling a little over 80 men--to the reserve division in Xiangyang, Hubei. They held a meeting to exchange experiences in the building of reserve units by the military region. At the old battlefield site of Xiangyang, the Xiangfan Ground Force Reserve Infantry Division put on many demonstrations. After the curtain opened on the military demonstrations, people saw and experienced the majestic military might of the PLA's newly emerging force--reserve units.

At the "8th Infantry Division's Command Post"

In the operations room, the cloth screen on one wall was nosily pulled open to reveal a huge operations map.

Displayed on the huge sandtable in the room were the open, vast landforms of the Xiangyang battlefield.

Land lines, radios, micromputers, videocorder projectors, and other command and communications instruments in an instant began to "run." The slightly more than 80 commanders, about half wearing the new and half wearing the old uniform, like a computer, coordinated in unison in commanding an infantry division, the tank regiment which augmented the division, an artillery brigade, as well as engineer, chemical defense, and other specialized fendui. Red and blue arrows indicating the postures of the enemy force and our force swiftly extended and closed on each other on both the huge operations map and the huge sandtable. The enemy's "64th Motorized Infantry Regiment of the 8th Group Army," which had invaded at the middle reaches of the Hanshui River, was annihilated in the Chaojia Mountain area in Zaoyang ....

The senior officers and organization at the division and regiment levels of the Xiangfan Ground Force Reserve Division, designated as the "8th Infantry Division," intensely conducted this indoor exercise of "a battle of field position defense against an enemy offensive." Those at the meeting saw that the division and regiment leading comrades, who made up half the number, were no different than active-duty cadres with respect to devising strategies with facility, handling situations appropriately, and never losing the awe-inspiring air and splendor of a commander.

This indoor exercise by the senior officers and organizations of the division and its regiments showed that this reserve division has a sound and sensitive nerve center. The live pictures shown on the television screen of the assembling by the 2d Battalion, 2d Infantry Regiment, of this division vividly showed that the division's "body," like its cerebral nerves, was perfectly developed and agile. The lens swept over a hundred villages and vast, open country. The order to assemble was transmitted at top speed. Some youths were seen throwing down hoes, putting aside burdens, putting luggage in order, and saying farewell to relatives. Then squads, platoons, and companies were assembled. One large green truck after another, filled with armymen who had changed into uniform, swift as the wind and quick as lightning, drove toward the battlefield ....

The Xiangfan Ground Force Reserve Infantry Division has an establishment of a little over 10,000 men, dispersed over the vast area of Xiangfan in 2 cities, 2 counties, and more than 80 districts, townships, and towns. In the 3 years since it was formed, while enhancing organizational building "to bring the troops up to full strength," the division has conducted for the reserve cadres and fighters education on national defense, education on the legal system, and education on how to view gains and losses, thereby establishing for all cadres and fighters in the division the spiritual prop that it is honorable to be reserve soldiers.

At the Liangru Mountain artillery range in Yicheng County, the huge muzzles of 85mm cannons, 122mm howitzers, and 107mm rocket launchers of the division's artillery regiment rose to point at, from different directions, the distant mountain peaks shaped like two breasts. The test firing began. Scattered

artillery shells whizzed straight at an elongated-shape height on the southeast side of Liangru Mountain. Immediately afterward the artillery groups roared in unison, putting nearly 100 shells within a circumference of several li, thereby accurately and correctly pouring a torrent of shells on the "enemy" position.

After the Xiangfan Ground Force Reserve Infantry Division was formed, it drew up a "5-year military training plan." In line with the principle of being "higher than primary militia but lower than field units," within the limited training time every year of 20 days for ordinary troops and about 3 months for specialized troops, it adopted the methods of self-training, joint training, rotational training, and asking field units and neighboring military subdistricts to provide training, so that the military quality of the division's units was gradually enhanced.

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CSO: 4005/522

NEW METHODS FOR RAPID RESERVES MOBILIZATION

Shenyang DONGBEI MINBING in Chinese No 12, 4 Dec 86 p 28

[Article by Yao Guangfa [1202 1684 409]: "Liaoning Provincial Military District Explores New Ways for Rapid Mobilization"]

[Text] In the Liaoning Provincial Military District, a new plan emerged not long ago. Its aim is to explore the rapid mobilization of reserve personnel during a future war against aggression, and to develop many ways for many kinds of units to assemble in the operational regions.

In a future war, the rapid mobilization of a large number of reserve personnel to replenish the needs of the battlefield will be an important factor in winning victory in a war, and will also be a principal mission of the provincial military district during wartime. In the new situation in which there has been a strategic change in the guiding ideology for the PLA's construction, how is a new plan for rapid mobilization, proceeding from the new circumstances, to be drawn up? The leaders of the Liaoning Provincial Military District have enlisted the organization cadres to study and comprehend the spirit of the relevant directives of the leading comrades of the Central Military Commission. It must be made clear that combat-readiness work is freed from the brink-of-war state "based on fighting a war early, fighting a big war, and fighting a nuclear war." The cadres must make a future war the target to be aimed at, and formulate a plan for rapid mobilization that is scientific and of long-term effectiveness. At the beginning of the year, the leaders of the military district formed a special group, which advanced side by side with the masses in spontaneous research. After half a year's hard work, the first outline was written. In the past few days, the leaders brought the organization cadres together to carry out thoroughgoing research and discussion on this topic. A new plan to cope with local wars that break out suddenly, rapidly mobilizing reserve personnel to form into many routes and many kinds of units and assemble in the designated regions, took shape, thereby finding a new approach for completing the mobilization mission assigned by the higher level during a future war.

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CSO: 4005/519



CHENGDU MR LEADER SUGGESTS SOLUTIONS TO RESERVE PROBLEMS

Beijing ZHONGGUO MINBING in Chinese No 1, 9 Jan 87 p 10

[Article by Zhang Taiheng [1728 1132 1854], deputy commander of Chengdu Military Region: "Our Methods for Solving Several Problems of Reserve Units"]

[Text] For the practical strengthening of the building of reserve units, we in the Chengdu Military Region have decided to adopt the following methods for solving specific problems:

1. The problem of equipment and materials. The military region made one-time uniform dispositions of the vehicle establishment of reserve units. For the problem of their training equipment and materials, this solution is an adjustment of the military region's deactivated units or articles for daily use. For problems that the military region cannot solve, requisitions are requested from the PLA General Headquarters, in an effort to obtain a total solution of the problem in the first half of this year. As for equipment and materials that have already been issued to the reserve units but cannot be used, the military region should enlist technical forces to inspect and maintain them. Those that cannot be technically certified for use should be reported to the military region, which will exchange them, before the first half year is over.
2. The problem of the supply of financial resources. Starting on 1 January this year, financial resources are supplied and distributed to reserve divisions and regiments by individual bank accounts. In the period when the General Headquarters has not yet made regulations for the ways and criteria for the financial supply of divisions and regiments, every year a certain amount of funds may be taken out the mobilization allowances for the administrative and miscellaneous expenses of organizations.
3. The problem of communications support. The communications and liaison support for reserve divisions are still the responsibility of the relevant military subdistrict. If there are military communications circuits near where a reserve regiment is stationed, the military subdistrict is responsible for its communication and liaison support; if there are no military communications circuits near where a reserve regiment is stationed, local telephones may be rented, and the funds needed paid out from the militia operating expenses or the mobilization allowances.

4. The problems of the office accommodations for the organizations of the reserve divisions and regiments, and of the living accommodations for cadres of their units. In accordance with the stipulations in Document No 5 (1986) of the party Central Committee and of Notice No 40 (1980) of the three PLA general departments, all units in which the conditions exist must, as much as possible, make use of the empty or spare barracks of reorganized units; in divisions where the conditions do not exist, the problems of office accommodations for their organizations and living accommodations for their cadres are to be solved by adjustments made by the subsidiary district they are in. To solve the problems of office accommodations for the organizations of regiments and of living accommodations for the cadres, the provincial military district will be asked to consult with and make requests to the provincial government. The problems are then to be solved by the three levels--province, prefecture, and county--raising funds. If the local finances are in serious difficulty and cannot completely solve the problems, a part may be taken from the militia operating expenses to make up the deficiency.

5. The problem of building vehicle garages and artillery storehouses and of building training bases. All units that have basically built these facilities or have received empty or spare barracks from reorganized units must get a tight grip on winding up projects and rebuilding. Units that are now building them must accelerate the construction and improve quality; those units that have not yet begun construction must make careful plans, do what they are capable of, get a tight grip on construction, and strive to complete all the work by yearend. With regard to the training bases that have already been built, no matter whether they were built by people's armed forces departments or jointly built by people's armed forces departments and reserve regiments, they must be jointly managed and jointly used.

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CSO: 4005/522

CONVENTIONAL WEAPONS TEST SITE DESCRIBED

Beijing JIEFANGJUN BAO in Chinese 21 Jan 87 p 1

[Article by staff reporter Qiao Tianfu [0829 1131 1381]: "Cradle of Conventional Weapons"]

[Text] Winter snow covered the Ke'erqin [4430 1422 3084] grassland north of the Great Wall.

This is the place where the Pride of Heaven--Ghengis Khan--leaped onto his horse, brandished his sword, and galloped back and forth. China's first conventional weapons testing base is located on this great grassland.

The pioneering work was arduous. In August 1954, on orders of the Central Military Commission, the first generation of pioneers--a group of college students and of fighters wrapped in the gunpowder smoke of the Korean War--riding ox carts went into the boundless grassland and began construction of the first conventional weapons testing range.

This is a day hard to forget: on 9 June 1955, the grand sound of artillery fire shocked awake a wilderness sunk in sleep as big guns made by China itself began firing here. The first page had been opened in our country's conventional weapon testing.

With the passage of more than 30 years, the conventional weapon testing base has been built, from the single field artillery and infantry weapon range in the initial stage of construction, into a comprehensive testing base for Army, Navy, and Air Force conventional weapons on a considerable scale. Using scientific measures and special-purpose testing standards, the base finalizes the design and certifies field artillery, antiaircraft guns, ship guns, ammunition, fuses, light weapons, aerial bombs, military optical instruments, meteorological instruments, and other conventional weapons and equipment; it also draws up firing tables. It provides a scientific basis for the research, designing, production, and unit-equipping of weapons. It is the authoritative body for the state's testing and certification of conventional weapons. Over more than 30 years the base has completed several thousand testing missions and has obtained a great number of scientific research results. Over 100 types of conventional weapons for equipping the PLA have been tested and certified by the base. No matter whether on land, air, and sea, everywhere there are weapons and equipment that the base has tested and certified.

The light weapons testing center is now testing a certain type of submachinegun. Each testing room sets in motion various kinds of instruments to test each system on a weapon. The combat simulation tests put the weapons through the most exacting inspections: sustained firing, now at the high temperature of more than 50 degrees centigrade, now at the low temperature of 40 degrees below zero centigrade; dust-raising tests, in which the shooters carry out sustained firing in an environment in which sand or dust fills the air; rain-exposure tests, in which the shooter conducts sustained fire during a simulated storm; river water-immersion tests, in which the shooter immerses a gun barrel that has been heated from firing into turbid muddy water, and then scoops it out of the water and fires as usual....

In the armor shell power testing area are more than 10 upright and prone steel target frames. On the steel plates are countless shell holes, which are proof of the power of this type of antitank shell. We stopped a while before a compound armor plate. On it are holes that a new-type of shell had made. Using a tape measure we found that the holes were several hundred millimeters in depth.

Late at night, the temperature on the grassland had fallen to 20 degrees below zero centigrade. In the antiaircraft gun firing test area, a test of a certain type of self-propelled antiaircraft gun's follow-up subsystem was being carried out. Fully loaded with shells, the self-propelled antiaircraft gun revolved freely into elevating position. "3, 2, 1, fire!" Following the artillery position commander's order, in the control room the commander of the follow-up subsystem pressed the firing button and row after row of red tracer shells were fired into the night sky.

#### PHOTO CAPTIONS

1. With a high-speed camera a technician tests the exterior ballistics of the Type 152 self-propelled gun-howitzer.
2. Night-firing test of a certain type of self-propelled antiaircraft gun.
3. In the AP power testing area, technicians measure the results of hits by antitank weapons.

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CSO: 4005/519

2D ARTILLERY DEVELOPS TROPOSCATTER COMMO SYSTEM

Beijing JIEFANGJUN BAO in Chinese 21 Jan 87 p 1

[Report by Wang Dewen [3076 1795 2429]: "Emergence of Long-Distance Digital Microwave Passive Troposcatter Communications System"]

[Text] Beijing, 20 January--After 2 years of hardships and explorations, scientific researchers of the Engineering Design Research Institute of the 2d Artillery Corps has for the first time in China successfully developed a long-distance digital microwave passive troposcatter system.

The system was technically certified today. At the certification meeting, several dozen experts and professors from 20 units, including the Signals Department of the PLA General Staff Department, Ministry of Electronics Industry, and Qinghua University, concluded that with this achievement a new approach had been found to develop China's microwave telecommunications work, and that its dissemination and application will save the state a large amount of manpower, material resources, and financial resources.

For a long time, to solve the problem of information transmission, people have cut roads into mountains, put high-tension line frames on hill tops, drawn water up to mountain tops, built microwave active generator rooms on high mountain peaks, and constructed microwave relay stations. Under ordinary circumstances, an investment of 200,000 yuan is required for a distance of 1 km; also, the signal loss is large and the acoustic image often lacks fidelity.

At the beginning of 1985, the Engineering Design Research Institute of the 2d Artillery Corps began reeseach on this technology. It made comprehensive use of the latest communications and telecommunications technologies at home and abroad in successfully developing the long-distance digital microwave passive troposcatter communications system, which enables radio waves to overcome obstacles by refractive bending, thereby overcoming all the difficulties encountered in line-of-sight microwave propagation. Thus, there is no need to build active microwave stations on high mountains, and also no need to have technicians garrison and defend them. In the past, several million and even ten million yuan had to be spent to build a communications setup that now only costs 30,000 yuan to build. Also, the signals are stable and the acoustic images distinct. Documents and codes can be transmitted. It can be widely applied to the construction of military communications, mines, posts and telecommunication. It is a valuable contribution for developing telecommunications in mountain areas.

## TEACHERS MUST COMBINE IDEOLOGY, CLASSROOM INSTRUCTION

Guangzhou NANFANG RIBAO in Chinese 10 Jun 87 p 1

[Commentary: "Teaching and Guidance Must Be Institutionalized"]

[Summary] Faculty members of Guangdong Engineering Institute are making it a permanent practice to teach ideological education in addition to regular instruction. Their experiences in this regard are worth emulating.

Because a school is responsible for the moral, intellectual and physical progress of its students, we cannot measure the success of a school simply by its percentage of graduating students. Rather, we should determine whether the school is capable of producing an educated worker equipped with moral, intellectual and physical abilities, and whether the graduate is aware of the socialist cause or is qualified to serve socialist society. Administrative leaders and party cadres, who constitute a minority of the school working body, cannot not be expected to perform the job of both ideologically guiding the students and developing their moral, intellectual and physical abilities. This must be accomplished by the teachers, who constitute the majority of the school working body.

Comrade Deng Xiaoping once remarked: "Whether or not a school is capable of producing the talent required for socialist construction and producing educated workers who are morally, intellectually and physically well-developed and who are aware of the socialist cause depends upon the teachers." Therefore, teachers must not be satisfied only with fulfilling their duties inside the classroom. Rather, they should take the initiative in guiding their students ideologically to establish a correct viewpoint toward life and the world. Teachers have been unaware of this important duty and have paid attention solely to classroom instruction for so long that they have become indifferent to their students' moral and ideological awareness. This indifference hampers implementation of ideological tasks on the campus, such that certain students have neglected sound ideological training.

In this new era, teachers must impart both knowledge and ideology; their job performance will be measured accordingly. Every school must establish effective instructional practices that will enable teachers to impart lasting knowledge and ideological guidance.

CSO: 4005/808

TAIWAN

VICE MINISTER ON IMPORTANCE OF 'HEALTHY' U.S. ECONOMY

OW170429 Taipei CNA in English 0337 GMT 17 Jun 87

[Text] New York, June 15 (CNA)--Vice Minister of Economic Affairs Hsu Kuo-an Monday called for mutual efforts of the United States and the Republic of China [ROC] not to allow the trade imbalance issue to overshadow the benefits derived from close economic cooperation between them.

In an analysis of the ROC's contribution to the U.S. economy, the vice minister said 50 percent of the ROC's total export goes to the U.S. either through U.S. owned marketing or distribution organizations or through U.S. owned subsidiaries in Taiwan. This practice is beneficial to U.S. industries.

Speaking at a conference on U.S.-ROC trade sponsored by the American Management Association, Hsu assured that the ROC will continue its efforts to open its market to U.S. goods, and to do everything possible to reduce the trade imbalance between the two countries. He offered ROC's assistance in enhancing the health of U.S. economy because "a strong and healthy economy in the U.S. is of vital importance to the ROC."

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CSO: 4020/228

EFFORTS TO EASE TRADE SURPLUS WITH U.S. ENUMERATED

OW201942 Taipei CHINA POST in English 18 Jun 87 p 4

[Editorial: "Efforts To Reduce Economic Frictions With the United States"]

[Text] The ROC [Republic of China] has had a huge trade surplus for several years and that surplus continues to increase. The question has been raised, especially in some American circles: "Why doesn't the government of the ROC do something about it?" The same question has been raised with regard to other issues such as American investment in Taiwan and the protection of intellectual property rights.

The truth of the matter is that the ROC has done a lot to reduce what some people regard as economic friction with the U.S. But the ROC has not done a good public relations job. The ROC should let the whole world, especially the policymakers in the U.S., know what it has done to reduce U.S.-ROC economic tensions so that the fair-minded people do not continue to blame the ROC for all U.S.-Taiwan economic problems. We believe that the American people indeed respect the principle of fair play.

The ROC has reduced tariff rates, loosened up import controls, appreciated the NT dollar, increased the "Buy American" program, relaxed restrictions on foreign investment, and implemented anti-counterfeiting measures.

There can be no doubt that there has been a reduction in tariff rates, though there is still much room for further reduction. In 1974, the average nominal tariff rate for all importable items was 55.65 percent. This rate was reduced in 1986 to 31.8 percent for column i countries and to 22.83 percent for column ii countries. (Column ii countries are countries which grant preferential tariffs to the ORC). Further reductions have been made in 1987, lowering the average nominal rate even more. In terms of the effective tariff rate (total tariff revenue as a percentage of total imports), the average rate was reduced from 11.74 percent in 1974 to 7.25 percent in the last half of 1986.

As for import control, the number of items under the "no" category (that is, commodities that cannot be imported at all by private importers) has been reduced from 4.8 percent of all importable items in 1956 to 0.03 percent in 1986 (October). The number of items under the "free" category has expanded



from 48 percent in 1956 to 98 percent in October 1986. (Commodities under the "free" category are those which may be imported freely by private importers though for some of them endorsement or consent by certain branches of the government is necessary.)

Recent progress in relaxing import control has been made for a number of products including VCRs and color TVs, soda ash, zinc pyrithione and pears.

With regard to the "Buy American" program, the ROC has sent a number of special procurement missions to the U.S. to make on-the-spot purchases of agricultural and industrial products such as soybeans, raw cotton, wheat, barley and corn, buses and electronic equipment. At present, the U.S. provides 100 percent of the ROC's imported soybeans, 99 percent of imported corn, 83 percent of imported tobacco leaf and 64 percent of imported apples.

The government has encouraged all government enterprises to purchase American products whenever they can meet the specifications and are offered at competitive prices. There are nearly 40 products which can be imported only from the U.S. or Western Europe.

The ROC has even gone so far as to provide free office space in Taipei to assist the U.S. Department of Commerce in setting up an American Trade Center and to sponsor regularly large-scale American Products Exhibitions in Taiwan.

For further relaxing restrictions on foreign investment in Taiwan, progress has also been made in several respects. Domestic content requirements on VCRs and color TVs were eliminated in September 1986. Export performance requirements for the automobile industry were also removed in 1986.

The ROC has allowed nearly all American fast food companies to open stores around the island, including McDonald's, Wendy's, Hardee's, Pizza Hut, Burger King, Ponderosa, Mr. Donut and Kentucky Fried Chicken.

Foreign banks may now issue credit cards, establish branch offices in Kaohsiung and accept time-deposits.

Several U.S. insurance companies have been granted licenses.

The ROC has allowed foreign equipment leasing firms to hold up to 90 percent equity in a Taiwan leasing venture.

As to counterfeiting, the ROC has implemented anti-counterfeiting measures in accordance with the guidelines developed by the government in 1982. A number of counterfeiters have been convicted for infringement of trademarks, patents, or copyrights. From 1982 to 1986, a total of nearly 2,200 convictions were made.

As for the foreign exchange rate, the NT dollar has been appreciated by some 20 percent from NT\$40.4 per U.S. dollar in the third quarter of 1985 to about NT\$32 at present.

In the final analysis, it is the U.S. herself who is basically responsible for her trade deficits. The fundamental cause of the American trade deficits is that the U.S. has spent more on consumption and investment than what she can produce by herself. The trade deficit is the necessary means to close the gap!

The question to ask, then, is: "What has the U.S. done to reduce her trade deficits?"

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CSO: 4020/228

TAIWAN, ROK AGREE TO INCREASE ECONOMIC COOPERATION

OW170349 Taipei CNA in English 0234 GMT 17 Jun 87

[Text] Taipei, June 17 (CNA)--The Republic of China [ROC] and the Republic of Korea agreed Tuesday to step up cooperation in trade, technology and economic development at the annual ROC-ROK economic cooperation conference concluded in Taipei.

In a statement signed by ROC Economics Minister Li Ta-hai and Korean Finance Minister Sa Kong-il at the closing ceremony, both sides agreed to expand their two-way trade to US 1 dollar 1 billion each year by opening markets to more products from each other.

According to the statement, the ROC agreed to increase the import quota for Korean-made automobiles from the current 1,500 units to 2,250 units per year, to cut tariffs on such Korean products as ginseng and copper bars and to allow Korean contractors to bid on the major construction projects in the ROC. The Korean side promised to lift import controls on ROC-made glass frames and to open its market to ROC-made tennis rackets before the end of 1988.

In addition, they will work together against the surging international trade protectionism and make concerted efforts to reduce their trade deficits with Japan.

On cooperation in technology and economic development, the two nations agreed to an exchange of experience and data by increasing exchange visits and holding more bilateral symposiums and cooperation meetings.

Speaking at the ceremony, Minister Li said the most important achievement of the conference this year is that the two nations have recognized the need to cooperate more closely to reduce the damages the trade protectionism is likely to inflict upon them. The ROC and ROK can both prosper on the basis of mutual benefit and close cooperation, he said.

In response, Minister Sa Kong-il said that to pursue for the prosperity of the two nations, the ROC and ROK should expand their cooperative ties to other areas.

The 21st ROC-ROK economic cooperation conference will be held in Korea next year. The Korean delegation will leave here Wednesday.

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CSO: 4020/228

NT DOLLAR APPRECIATES; EXPORT ORDERS SLOW

OW220403 Taipei CNA in English 0241 GMT 22 Jun 87

[Text] Taipei, June 22 (CNA)--The Economics Ministry said that the growth of foreign orders for Republic of Korea [ROK] products has slowed down as a result of the appreciation of the New Taiwan dollar.

The value of foreign orders in May totaled U.S. dlrs 4.3 billion, increasing 24.4 percent over the previous year but decreasing U.S. dlrs 190 million from April this year. If calculated in NT dollars, the figure was only 2.54 percent more than the same period last year.

Meanwhile, orders from both the United States and Canada showed negative growth if calculated in NT dollars, even though their values in U.S. dollars were 11.53 percent and 14.43 percent higher than last year.

Compared to May 1986, orders for electronics products saw the highest growth of 59.7 percent, followed by 45.84 percent for metal products, 40.98 percent for plastics and rubber products, 23.75 percent for footwear, and 7.12 percent for textiles.

Orders for chemical products decreased 29.03 percent, and for toys and sporting goods, a negative growth of 11.43 percent, the ministry said, attributing the decreases to foreign buyers' diverting their orders to South Korea and Hong Kong as a result of the NT dollars appreciation.

The ministry called on garment, footwear, toys and sporting goods industries to design and manufacture new products with higher value and better quality to cope with the impact of the NT dollar's appreciation.

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CSO: 4020/228

NAVAL PATROLS PROTECT FISHERY RESOURCES

OW190311 Taipei CNA in English 0236 GMT 19 Jun 87

[Text] Taipei, June 19 (CNA)--The Republic of China's [ROC] naval fleet patrolled its territorial waters for more than 900 ship-days last year to protect the nation's fishing boats and fishery resources, the Executive Yuan (cabinet) said Thursday.

Since the Government announced its decision in 1979 to extend its territorial waters to 12 nautical miles and to set up a 200-mile economic zone, the Chinese Navy has reinforced its patrols in the Bashi Channel and in the waters surrounding the Pengchiayu island groups to increase its protection of the nation's fishery resources. In addition, all north-south bound naval vessels are normally required to detour around waters off Green Island, Orchid Island and the Bashi Channel in order to better protect local fishing boats.

The cabinet said that when Chinese fishing boats encounter unexpected disasters off the coasts of foreign countries or are seized by foreign authorities, the Ministry of Foreign Affairs immediately instructs its overseas personnel to contact local authorities there to rescue the troubled Chinese fishermen. If the incidents occur in waters off communist nations or countries where the ROC does not maintain representative offices, the Foreign Ministry then tries to assist those aboard the ill-fated ships with all necessary assistance through the International Red Cross or other proper channels.

The cabinet pointed out, however, that several ROC fishermen now being held by some foreign governments have broken the domestic laws of those countries and, therefore, cannot be released until they have been tried by the judicial authorities there.

It said that fishery authorities have formed a special panel to promote fishery cooperation with foreign countries and to handle problems arising from the detention of Chinese fishing boats and fishermen by foreign government.

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HONG KONG ECONOMY CONTINUES RAPID EXPANSION

OW190812 Beijing XINHUA in English 0618 GMT 19 Jun 87

[Text] Hong Kong, June 19 (XINHUA)--Hong Kong's economy has continued to show an upward trend in the first half of this year and local economists and bankers are optimistic about the prospects for the rest of the year.

They hold that this year's economic growth will exceed the rate of six percent as was predicted by the financial secretary of the Hong Kong government at the beginning of the year.

Domestic exports reached 53,067 million Hong Kong dollars (6,803 million U.S. dollars) in the first four months of this year, an increase of 41 percent over the year-ago period, according to the Census and Statistics Department.

At the same time, local press reports noted that most of Hong Kong's manufacturers have enough overseas orders to keep them busy for many months to come.

The garment industry, the biggest foreign exchange earner, has enough orders to go full stream ahead for the rest of the year while the electronics industry, the second biggest foreign exchange earner, has orders to last it until the second quarter of 1988.

The property sector, transactions carried out in the first five months of this year totalled 92,400 million Hong Kong dollars (11,846 million U.S. dollars), 20 percent higher than in the corresponding period of 1986.

Many foreign investors, especially Japanese and Australians, have been involved in this year's property transactions. During the January-May period, overseas investors accounted for about half of the 25 major deals which entail an aggregated investment of 12,000 million Hong Kong dollars (1,538 million U.S. dollars).

The Hang Seng index, the barometer of the local stock market, jumped to 3,133 points today, 22 percent higher than at the end of 1986.

However, there [are] still some unfavorable factors which tend to weaken the competitiveness of Hong Kong products, according to local analysts. The price hike and shortage of some raw materials in the international market have raised the cost of production in the garment, plastics and other industries. Shortages of labor also looms large in manufacturing industries.

HONG KONG RAISES CAPITAL FOR MAINLAND

OW180033 Beijing XINHUA in English 1510 GMT 17 Jun 87

[Text] Hong Kong, June 17 (XINHUA)--The Chinese mainland will increasingly use Hong Kong to raise funds for its development projects, declared a senior official of the Bank of China here today.

Speaking at the "Investment Hong Kong conference" which ended here today, Zhang Xueyao, general manager of the Hong Kong branch of the Bank of China, said that the balance of loans made by banks and financial institutions in Hong Kong to non-bank enterprises in the mainland totaled 11.52 billion Hong Kong dollars (1,476.9 million U.S. dollars) by the end of 1986, 84 percent more than 1985.

Syndicated loans arranged in Hong Kong for the mainland increased sharply to 12 billion Hong Kong dollars (1,538 million U.S. dollars) in 1986, as against about four billion Hong Kong dollars (about 500 million U.S. dollars) in 1985.

The second way for raising funds is to make use of the Hong Kong security market, Zhang said.

Since the beginning of 1986, local China-capital banks have issued 11 certificates of deposit (CDS) with an aggregate of 6.8 billion Hong Kong dollars (871 million U.S. dollars). Chinese national and provincial corporations have also issued bonds and commercial papers here though the bonds and commercial papers markets in Hong Kong are still less active than in Japan, Singapore and Frankfurt, he said.

Zhang predicted that China would [words indistinct] use of the Hong Kong securities market to raise funds when the market conditions for such financing instruments become more adequate.

The Chinese mainland is also studying and exploring the possibility of raising capital through the Hong Kong stock market. Earlier this year, some Hong Kong-based China-capital institutions have already made, either directly or indirectly, public listing, and some of the capital so acquired are used for mainland projects, he said.

In addition, some banks, deposit-taking companies and trading firms in Hong Kong have set up or expanded their leasing departments and others set up joint venture leasing companies with mainland partners as a growing member of enterprises in the mainland are bringing in advanced equipment and technology from abroad in the form of leasing, Zhang said.

HONG KONG, MACAO

# HONG KONG LOANS TO PRC SET AT 1 BILLION

HK180823 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English  
18 Jun 87 p 1

[Article by Olivia Sin]

[Text] Local banks are expected to conclude syndications worth a total of US\$1.12 billion for various Chinese projects in the first half of this year, according to Bank of China director Zhang Xueyao.

He also said China's plan to raise US\$3.95 billion in foreign funds this year would provide bigger opportunities for Hong Kong banks.

Speaking at the Investment Hong Kong '87 Conference yesterday, he said syndications worth a total of US\$638 million had been arranged by local banks for China in the first five months of the year.

Another US\$477 million in syndications was likely to be completed before the end of this month.

"It is evident that funding activities in the form of syndicated loans to be arranged in Hong Kong will continue to increase this year," said Mr Zhang, who is also general manager of the BOC's Hong Kong branch.

Among the major deals arranged by local banks so far this year were the US\$210 million syndication for the Panzhihua Iron and Steel Complex in Shanghai, the US\$240 million loan for an ethylene plant in Shanghai and the US\$280 million syndication for the China World Trade Centre in Beijing.

Mr Zhang said the territory arranged 14 syndications amounting to HK\$12 billion for Chinese projects last year, up sharply from HK\$4 billion in 1985 and HK\$1.95 billion in 1984.

China's minister of finance, Wang Bingqian, said at the National People's Congress in March that the country would borrow 14.6 billion yuan (about HK\$30.7 billion) from foreign countries this year, twice the amount borrowed last year.



He said more funds would be needed this year to finance construction of key energy and infrastructure projects outlined in the Seventh Five-Year Plan (1986-90).

Mr Zhang said China's past borrowings had been used mainly to finance hotel and other service projects, but now an increasing number of factory and power projects were being financed by bank loans. He said the trend would continue in coming years.

China would seek more commercial funds in view of the limited availability of preferential loans, the abundance of idle funds in international capital markets and relatively low interest rates, he said.

China-owned institutions had also resorted to using Hong Kong's securities market to raise funds via bonds, commercial papers, certificates to deposit and stocks.

But Mr Zhang said technical problems had prevented Chinese enterprises from seeking listings on the Stock Exchange of Hong Kong. Analysts said these problems were related to accounting policies and disclosure rules in the territory.

He said China had conducted studies on the possibility of allowing mainland enterprises to go public in Hong Kong.

Another BOC official earlier hinted that it was unlikely that BOC group members would seek a public flotation in the territory in the near future because they did not need the funds.

But Mr Zhang noted that some China-backed companies had recently raised funds in the local market through share placements or listings. These include Tian China Investment Co., Guangdong Enterprise and Yue Xiu Enterprises.

He said that through these listings, China would be able to learn more about the technicalities of setting up stock exchanges in the country.

Since last year, China-owned banks had issued CDS worth a total of HK\$6.8 billion in the territory.

In addition, China International Trust and Investment Corp had raised HK\$300 million through bond issues in the territory, and Guangdong Enterprises, the province's local trading arm, had launched a HK\$250 million commercial paper.

Mr Zhang conceded that China had made greater use of securities markets in Japan, Singapore, and Frankfurt than in Hong Kong. "This is mainly due to the fact that the Hong Kong bond and commercial paper markets, in particular the secondary market, are less active," he said.

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